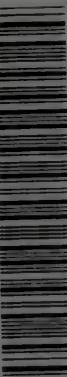
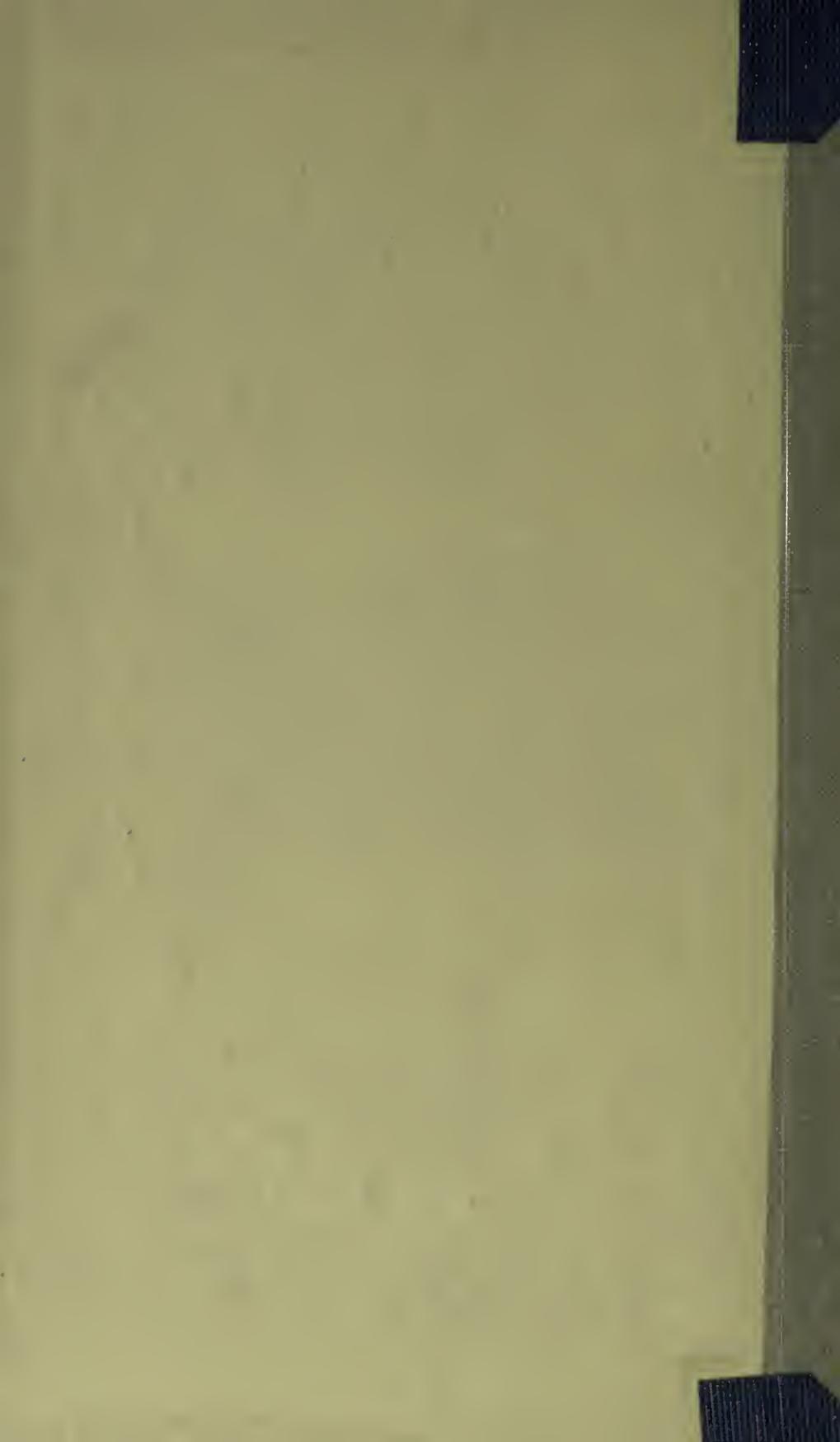


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ON TAXATION:

HOW IT IS RAISED AND HOW IT IS EXPENDED.

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ON TAXATION :

HOW IT IS RAISED AND HOW IT IS EXPENDED.

BY

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IN KING'S COLLEGE, LONDON.



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TO

THE RIGHT HON. W. E. GLADSTONE, M.P.,

CHANCELLOR OF THE EXCHEQUER, ETC. ETC.

SIR,

As a mark of esteem and admiration for your financial administration, your classical learning, and your power of eloquence, I dedicate to you, with your kind permission, this Essay on Taxation.

The nation owes much to you for the many financial reforms you have already introduced, and for the high principles of honour and duty you have always propounded; and in your hands the finances of the Empire cannot fail to improve and to prosper.

I have the honour to be,

Sir,

Your obedient servant,

LEONE LEVI.

TEMPLE,

June, 1860.

P R E F A C E.

IT is at all times important to form a correct estimate of the condition of our national finances. The elasticity of our industries, the stability of our political institutions, the character of our diplomatic relations, and the moral and physical strength of the Empire are all seriously affected by the extent and pressure of national burdens, and, above all, by the condition of public credit. All are interested in this great and practical question. The financial system not only determines the amount of taxation, and the best mode of collecting the revenue, but mingles itself with all national interests, and affects materially the growth of national prosperity. How many industries have been injured, checked, and often destroyed by ill-judged measures of taxation and interference. And, on the contrary, how soon did we reap the fruits of a policy more in unison with natural laws ! What a difference between the slow and crippled progress of the nation before, and the rapid development of its resources since, the introduction of free-trade !

And what was the cause of the prevalence of such erroneous doctrines and policy but ignorance and an entire misconception of economical laws ? Study these, and

the mist of prejudice and error will speedily disappear. We have now abundance of materials to illustrate the operation of such laws ; and it is most gratifying to find that the numerous facts which are reviewed in the following pages corroborate and establish the dictates of economical science in a manner that will obtain for them the assent of every candid and intelligent mind in this and other countries.

The state of British finances at this moment is, it is true, not quite satisfactory, entirely owing, however, to a large increase in our national expenditure. The revenue has been all that could be desired, notwithstanding the constant remission of taxes ; but, ever since the unfortunate war with Russia, the wants of the nation have been so far beyond our customary income, that we have never yet seen the way to a perfect equilibrium. And the great question at the present time is, will our national expenditure permanently range at about $60,000,000l.$ to $70,000,000l.$, or shall we soon return to the ordinary peace expenditure of $55,000,000l.$? The latter alternative is, we fear, very distant. If we consult the political aspect of Europe, and consider the temper of the nation, it seems idle to expect any material reduction in our army and navy. All other branches of expenditure are, moreover, constantly increasing. With the expansion of national resources, with a large increase in our population and commerce, and with possessions scattered far and wide, the duties of the State are necessarily much more ex-

tensive, and a larger number of officers in the various departments is required. Salaries and wages are also higher, and, if we add the increased cost of necessaries, which swell so largely the amount required for our soldiers and sailors, it will be allowed that the expenditure for all public purposes must be considerably enlarged. We must, therefore, make up our mind to an increase of taxation from past limits. Fortunately, the nation has increased resources to meet it, and it becomes the duty of those who have the administration of our finances to place the revenue and expenditure of the country in a safe and satisfactory condition.

The mode in which our present taxation is raised and expended will be best appreciated if we exhibit side by side the amount and the contribution per head of the entire population, as follows :—

REVENUE.			EXPENDITURE.		
	Millions.	Per head.		Millions.	Per head.
	£	s. d.		£	s. d.
British and foreign spirits, wine, and beer }	18·50	12 8	Public debt	28·50	19 7
Income tax	6·60	4 6	Army	12·50	8 3
Sugar	6·00	4 0	Navy	9·20	6 5
Tobacco	5·50	3 9	Justice	3·50	2 5
Tea	5·40	3 8	Revenue collection	3·60	2 5
Probates, legacies, and succession	3·40	2 4	Other salaries	1·00	0 8
Land and assessed taxes	3·00	2 0	Education . . . . .	.90	0 6
Deeds, bills of exchange, receipts, newspapers, &c.	2·80	2 0	The Queen . . . . .	.40	0 3
Licences	1·50	1 0	Public works	1·00	0 8
Insurance—Fire and marine	1·70	1 2	Diplomacy, &c. . . . .	.50	0 4
Post-office	1·40	0 11	Colonies . . . . .	.50	0 4
Paper	1·20	0 9	Miscellaneous	1·40	0 11
Other articles of Customs, Excise, &c.	3·50	2 4			
Miscellaneous receipts, not taxation	2·50	1 8			
	63·00	42 9		63·00	42 9

The taxes on paper and on insurance, and some of the licence duties, are likely to be abolished as soon as the finances will allow; but other taxes will probably continue to be levied with increased productiveness. The principal difficulty is with the income tax, which is maintained from year to year in a most unsatisfactory manner. As it is universally admitted that it would be inexpedient to increase the present amount of indirect taxes, we trust the attention of Parliament will be early directed to devise means for a more equitable and comprehensive assessment of the income and property tax. To abandon our present mixed system of direct and indirect taxes for any exclusive plan of direct taxes on income or on wealth does not seem desirable. We may well picture to our mind an ideal community, so enlightened as to the interests of the State, so conscientious as regards the duty they owe to it, and withal so attached and loyal to the constituted authorities, that each member will be ready and willing to pay whatever share of the expense is found necessary for maintaining order and security. Such a community will, doubtless, prefer paying the amount required in a direct manner, rather than by any indirect and shifting process; but, under present circumstances, we should scarcely be justified in acting on such an assumption.

The facts and figures inserted in the essay have been derived from official and Parliamentary documents, and other works of authority. My aim has been to pre-

sent a clear, but brief and compendious, view of the finances of the United Kingdom ; and, as the substance of the Essay has formed the subject of a course of lectures in King's College, I have had recourse to some historical and collateral information to render the whole attractive and instructive.

LEONE LEVI.

10, FARRAR'S BUILDINGS, TEMPLE,

June, 1860.

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ERRATA.

P. 19, line 29, *for 2,146,000l.*, the amount of annuities which fall in
in 1860, *read 1,292,583l.*

P. 91, line 27. The duties on British spirits have since been fixed at
8s. *1d.*, instead of 8s. per gallon; and the duty on brandy and
geneva at 8s. 6d. per gallon.

ON TAXATION.

BOOK I.

CHAPTER I.

BRITISH WEALTH.

TO form a correct estimate of the finances of any country it is necessary fully to appreciate its strength and resources. Burdens oppressive beyond measure to one nation may be most easily borne by another. What may have proved a great barrier to national progress at one period may operate as a healthy stimulus to valuable energies in another. Witness the alarm prevailing in England during the first era of her national debt as compared with the ease with which its burdens, so immeasurably increased, are now felt. The unbounded prosperity of the nation has, in fact, quite neutralized the evils which seemed impending on Britain from her excessive national expenditure, and frustrated the realization of the most gloomy forebodings of the wisest British statesmen. Nor can we charge them with any want of foresight. Little could they anticipate those discoveries of science which have so altered the aspect of society, and con-

tributed so powerfully to the increase of wealth. Steam power was then unknown. Navigation was in its infancy. Internal means of transport were but scanty; and British produce and manufacture, chiefly the fruit of manual labour, were far behind those of other European countries. In process of time a sudden revolution took place in the commerce and industries of the United Kingdom. Wealth increased apace, and as the nation grew in opulence and resources, so the national debt and national expenditure ceased to act as the nightmare of financiers and economists.

At the outset of our inquiry into the finances of the United Kingdom, it may be advantageous, therefore, briefly to glance at the principal sources of our national wealth, and to consider how far the economical condition of the people stands in relation to its fiscal arrangement. But how difficult it is to form a proper conception of the extent of British wealth. How shall we estimate the value of the millions of acres of land under cultivation, or dedicated to pasture; of those wonderful strata of the earth which so abound in minerals the most useful and valuable; of those rich manufactures, and those industries which administer to the wants of advancing civilization, and provide for human comforts in every region and clime? We wish we could carry our readers with us to explore these immense laboratories of British riches. We could promise them an ample reward; but we much fear lest our own powers of digesting and explaining millions and thousands of millions may fail us; and we prefer avoiding any exact calculations which, after all, can be

but nominal and imaginative. The economical progress of the United Kingdom in later years has, indeed, been great, and far beyond the ratio of any former period. In agriculture, the first and most essential of all human industries, we have made rapid advance ; and, notwithstanding all the disadvantages of our soil and climate, with a large capital invested in land, with a provident system of farming, with the application of scientific principles, and proper knowledge of chemical affinities, and with abundance of stock, we succeed in obtaining greater produce than France, Austria, or Russia.

Where shall we find a nation better favoured than Britain in mineral resources ? Iron and coal form the chief staple of British industry. Tin and copper have, from the earliest times, been sought after in English ground. Of coal alone we yearly extract 65,000,000 tons, and of iron upwards of 3,000,000 tons. But neither quantity nor value adequately represent the importance of our mining industry. What could we do without iron and coal ? Where would be our noble railways ? What would become of our machinery ? It is, indeed, to our mining industry that we owe our position as the first industrial and commercial nation in the world. We shall say nothing of our manufactures, which attract universal admiration. We import cotton-wool from America, raw silk from India, China, and Italy, oil from Africa, tallow from Russia, woods from America, and a hundred other articles from distant countries ; and by means of our capital, skill, and machines we

convert them into woollen, cotton, and silk manufactures, which we export to almost every country on earth. Visit our hives of industry. Manchester will offer you millions of pieces of coloured and printed goods ; Leeds has her flannels, Birmingham her buttons and ironware, and Sheffield her knives and forks. Whilst France and other Continental countries excel in articles of luxury, and in such as form the delight of the opulent, British industries are directed to making useful articles, or articles which diffuse substantial comforts among the great body of the people. In everything, in fact, appertaining to the comfortable and scientific branches of industry the superiority of Britain in quality is great, and in quantity boundless.

B.
Our foreign commerce alone exceeds 300,000,000*l.** in amount, fully one-third of the entire commerce of the world. There is not a nation but contributes its quota to the commercial power of Britain, and the British merchant may be seen everywhere exploring, experimenting, and advancing, ever intent on furthering enterprise, and on realizing practical benefits from those scientific discoveries and ingenious contrivances which, with the aid of capital, have all but changed of late the face of society. With a mercantile marine

* The computed value of the *total* imports of merchandize, in the year ending 31st December, 1858, was 164,583,832*l.*; and the declared value of exports, including foreign and colonial produce, 139,782,779*l.*: total, 304,336,611*l.* The declared value of British and Irish produce exported in 1858 was 116,608,756*l.* The computed real value of merchandize imported in the year ending 31st December, 1859, was 179,334,981*l.*; and the declared value of British and Irish produce exported, 130,440,427*l.*

exceeding 5,600,000 tons,* the British are now, what once constituted the glory of the Italians and of the Dutch, the carriers of the world ; whilst, with the facilities granted for bonding, the British marts of merchandise have become, what Venice, Amsterdam, and Novogorod once were, the common warehouses of nations. To speed the stream of commercial enterprise, and to render the more available the rich treasures with which the British soil abounds, railways have been executed in the United Kingdom at an expenditure of 400,000,000*l.* Yet the conversion of so vast an amount from floating into fixed capital has not hindered the British capitalists from seeking everywhere concessions for great public undertakings in foreign States, and most of the great trunks of railways which now enrich foreign countries have been constructed by means of British capital and by the aid of British artificers.

But shall we abstain altogether from giving any

* The number, tonnage, and crews of registered vessels which belonged to the United Kingdom and British possessions on the 31st of December, 1858, was as follows :—

	Vessels.	Tons.	Crews.
England	20,868	3,675,181	168,603
Scotland	3,543	652,675	32,862
Ireland	2,247	260,037	14,209
Islands of Guernsey, Jersey, and Man . . . }	26,658	4,587,893	215,754
British possessions	883	69,845	5,479
	10,210	951,885	67,112
	37,751	5,609,623	288,345

tangible estimate of this immense wealth? In the year 1700 Gregory King estimated the total wealth of the kingdom at 600,000,000*l.*, which, with a population of 8,000,000, gave 75*l.* per head. In the year 1800 Dr. Becke and Sir William Pulteney estimated it at 1,800,000,000*l.*, or 112*l.* per head. In 1812, Dr. Colquhoun estimated it at 2,100,000,000*l.*, or 116*l.* per head, showing an increase of 16 per cent. In 1845 Mr. Porter valued the personal property at about 2,000,000,000*l.*, and the real property at somewhat the same sum, or altogether at 4,000,000,000*l.*, or 150*l.* per head; showing an increase in 30 years of 94 per cent.: and now the common estimate is 6,000,000,000*l.*, or 200*l.* per head, exhibiting another increase of 50 per cent.* The same proportion of increase has taken place in the national income. Whilst in 1800 the annual income of 16,000,000 inhabitants was estimated at 230,000,000*l.*, in 1860 the estimate is 600,000,000*l.*, or upwards of 20*l.* per head. And should such an estimate appear all but fabulous, we have the absolute fact that in the year 1858 income tax was assessed upon no less a sum than 310,000,000*l.*; which at the usual valuation will represent a capital of 5,000,000,000*l.*, and the income tax

* *Progressive Increase of Wealth in the United Kingdom.*

Year.	Population.	Estimated amount of wealth, exclusive of the national debt.	Estimated wealth of the population per head.	Increase per cent.
1801	16,000,000	£1,800,000,000	£112	
1811	18,000,000	2,100,000,000	116	16
1841	27,000,000	4,000,000,000	150	94
1858	29,000,000	6,000,000,000	200	50

is not levied upon incomes less than 100*l.* per annum, nor upon wages, which alone are calculated to amount to nigh 150,000,000*l.**

The superiority of British resources over those of the largest European countries is very remarkable. Whilst with a population of 29,000,000, Britain produces 600,000,000*l.* per annum, or upwards of 20*l.* per head, the productive industry of France may, at the maximum, amount to 500,000,000*l.*, which, with a population of 36,000,000, gives an average of 14*l.* per head ; and that of Russia at 350,000,000*l.*, which, with a population of 70,000,000, gives only 5*l.* per head.†

No proper estimate can be formed of the productive forces of the British colonies : of India overflowing with wealth, of Australia glittering with gold, of Canada rapidly advancing to stately independence, of the West Indies, or of the immense territories of North America. All these colonies offer an unlimited scope to well-directed industries and energies, and thither the

* *Progressive Increase of National Income in the United Kingdom.*

Year.	Population.	Estimated amount of income.	Estimated income of the population per head.	Increase per cent.
1800	16,000,000	£230,000,000	£14·7	
1841	26,000,000	450,000,000	17·6	
1858	29,000,000	600,000,000	20·15	31

In England and Scotland the amount of property assessed to the income tax under schedule (A), profits of farmers under schedule (B), and trade under schedule (D), in 1842-3, was 154,796,328*l.*; and in 1857-58, 209,262,288*l.*; showing an increase in the period of 35 per cent.

† These estimates are founded on the official publication, entitled *Statistique de la France*, on Tegoborski's *Etudes sur les Forces Productives de la Russie*, and on the *Statistique Official de l'Autriche*.

British settler directs his eye as a proper field for the exercise of labour or the investment of capital ; but to return home with accumulated wealth, to enjoy the fruit of his successful exploits. The extensive discoveries of gold in Australia have attracted to that colony a tide of emigration from all parts of the world greater perhaps than the host which marched in the Middle Ages for the recovery of the Holy Sepulchre. An empire has been created in a day. Yet how different are the notions at present entertained of the probable consequences of such discoveries from those held by the Spaniards in the sixteenth century. Whatever anxiety may have been exhibited to reach the golden regions, and however chimerical the fancies of the adventurers, no settled industries have been neglected in this country on that account, no laxity of energies has been allowed to creep in. Magical has been the increase of the Australian colonies, and great riches have been amassed therein ; yet, side by side with gold-digging, agriculture, commerce, and shipping have immensely thriven ; and should gold ever cease to afford so plenteous a harvest, riches far more enduring and valuable will be found in the commodities which Australia will produce, and the industries of which that colony has become the centre.

This is not the place to inquire into the causes of the boundless prosperity of the United Kingdom ; but we may search for them in the increase of communication both by sea and land, in that great network of railways which so facilitates the circulation of our national wealth, in the immense development of our banking institutions, and in a wise economical policy, which

has unfettered the energies of the nation. We may search for them also in that innate sentiment of independence and right, in that lucidity of thought and promptitude of action which distinguish the Anglo-Saxon character, in those civil and political liberties secured to us as a sacred patrimony by our venerated British Constitution, in that integrity and publicity which are characteristics of our administration of justice, in the long peace which we have enjoyed, as well as in the wisdom of our legislators, and in those practical reforms which have from time to time been introduced so as to avert those political convulsions which effectually disturb the course of commerce and industry, and which have often made a wreck of other nations. All these causes acting together have contributed to the formation of our colossal riches, and have augmented the sum total of British power and influence.

In the committee of nations Britain holds a high rank. Long the acknowledged mistress of the sea, her fleet has often checked her proudest competitors. Foremost in most political treaties, British ambassadors exercise a considerable ascendancy over the cabinets of Europe. Her consuls, scattered over all mercantile and maritime stations, protect the interests of British subjects all over the world, and exact in their behalf the most scrupulous regard to good faith and justice. But so lofty a position has been purchased at the cost of unprecedented sacrifices. The great wars in which Britain has been engaged have raised her to a supreme rank in the scale of nations; but they have imposed upon her inhabitants burdens which will not be easily removed.

Fortunately for Britain, she has always known how to meet her pressing exigencies; and it is owing to the sacredness with which Britain has regarded her engagements that her public credit has never for a moment fallen short, and her securities have maintained a high value in the money-markets of the world. Such is the condition of the empire whose finances we now proceed to review.*

* As an evidence of the immense expansion of British resources since the commencement of the present century, we append tables showing the quantities of the principal articles imported, the value of exports, the shipping and mercantile marine in the years 1800, 1820, 1841, and 1859, and the increase of our colonies within the last thirty years.

United Kingdom.

	1800.	1820.	1841.	1859.
IMPORTS.	lbs.	lbs.	lbs.	lbs.
Cotton wool .	54,000,000	152,000,000	488,000,000	1,200,000,000
Sheep's wool .	7,400,000	10,000,000	56,000,000	131,000,000
Raw silk . .	900,000	2,000,000	5,000,000	10,000,000
Sugar . . .	300,000,000	320,000,000	550,000,000	1,000,000,000
Tea . . .	24,000,000	30,000,000	37,000,000	75,000,000
British produce & manufac. export.	£	£	£	£
	39,000,000	36,000,000	51,000,000	130,000,000
Shipping entered and cleared .	tons.	tons.	tons.	tons.
Mercant. marine	4,000,000	4,000,000	9,500,000	19,300,000
	2,000,000	2,400,000	3,500,000	5,600,000

British Colonies.

	Population.		Imports.		Exports.	
	1828.	1857.	1828.	1857.	1828.	1857.
N. American colonies . }	Estimated.		£	£	£	£
	1,000,000	2,500,000	4,300,000	13,500,000	3,000,000	10,000,000
West Indies	800,000	1,000,000	4,400,000	3,700,000	7,500,000	5,000,000
Australia .	5,200	1,000,000	800,000	28,000,000	400,000	23,000,000
Africa . .	250,000	700,000	500,000	2,500,000	400,000	2,000,000
Asia . . .	100,000,000	180,000,000	8,000,000	34,000,000	10,000,000	32,000,000
Europe . .	320,000	380,000	4,000,000	4,000,000	3,000,000	3,000,000
	102,375,200	185,580,000	22,000,000	85,700,000	24,300,000	75,600,000

CHAPTER II.

PROGRESS OF TAXATION.

TO trace to their sources the different branches of the public revenue is not consistent with the object proposed by this Essay. We shall only glance at some principal incidents, and mark those events which have introduced the germ of and paved the way to the present method of taxation ; nor is there much in the early history of British finance to guide us in the gradual reforms which may be introduced. The ancient sovereigns knew nothing of general systems of finance. Without the smallest notion of political arithmetic, with no census of population, and at a time when hoarding and secreting were universally resorted to for safety and for exemption from the exactions of the Crown, the taxes imposed were as arbitrary as they were untimely and disproportionate. And no privilege or right protected the subjects from the plunder of their irresponsible masters till a check was set upon the despotic levying of contributions by the provision of Magna Charta that no tax should be levied without the consent of Parliament.

William Rufus oppressed the people with taxes and exactions of every shape. Henry I. laid three shillings on every hide of land to provide for the marriage of

his daughter. Stephen imposed no regular taxes, but raised all money by plunder and robbing. Henry II. took of the Jews a fourth part of their chattels, and levied a tax on all moveables. Richard I. levied a land-tax to provide for his expedition to the Holy Land. John took one-seventh of the moveables, seized all temporalities of the clergy, and tortured the Jews. Henry III. levied fifteen scutages and innumerable other taxes. He extorted from the Londoners 15,000 marks, and compelled the Jews to ransom themselves at 20,000 marks. In the reign of Edward a land-tax was imposed. To him was granted the tenth sheaf of corn and the tenth lamb; whilst, in consideration of the protection of merchant-ships and foreign trade, Parliament granted to Edward subsidies on wine and merchandize. A poll-tax was resorted to during the reign of Richard II., consisting of three groats on every person, male or female, above fifteen years of age, prescribing that the opulent should relieve the poor by an equitable compensation. The novelty of the tax and the partialities with which it was levied produced a grievous discontent among all classes, and a revolution was the consequence. Gradually, however, the English sovereigns consolidated their power and improved their method of taxation.

But, although the sources of revenue were various and the means of exacting it often unscrupulous, the allowance was scanty and precarious. Little reliance can be placed on figures describing the amount of revenue of the early English kings. The Conqueror's revenue is estimated at 400,000*l.* or 1,200,000*l.* of pre-

sent money ; a sum, however, which commanded ten times more of the necessaries of life than it would at present. William Rufus, Henry I., and Stephen, whose reigns extended down to the year 1154, had a revenue respectively of about 300,000*l.* The Saxon or Plantagenet kings had a revenue still less in amount. Henry II. had 200,000*l.*, Richard II. 130,000*l.*, and the kings of the Houses of Lancaster and York had a revenue below 100,000*l.*

With the accession of the House of Tudor a considerable increase of the revenue took place. Henry VII., intent on accumulating treasures for himself, cared not what sacrifices and hardships he imposed on the nation. He issued commissions with instructions to demand one-sixteenth part of every man's substance, payable in money, plate, or jewels. Henry VIII., with whose name the Reformation is identified, appropriated the first-fruits and tenths of the Church livings, which formerly belonged to the Pope, to his own use. He laid foreign princes under contribution, raised money by proclamation, and under the colour of asking loans he exacted four shillings in the pound from the clergy and three shillings and fourpence from the laity. The short reign of Edward VI. was sufficient to afford scope to the rapacity of his ministers. Mary exacted loans, laid embargoes on private property, and wasted revenues otherwise abundant ; and Elizabeth, though proud in the splendour of her court, was economical in her public expenditure and rather abstemious in the imposition of taxes.

The reign of James I. was one of abuses, exactions,

and monopolies. His ordinary revenue amounted to about 500,000*l.*, but he drew large sums from subsidies, sales of land, patents, benevolences, &c. The revenue of Charles averaged 900,000*l.*, a large portion of which was derived from illegal sources; but the arbitrary nature and ruinous effects of such exactions greatly exasperated the nation against a sovereign otherwise so unpopular and unfortunate. During the civil war which ensued the exigencies of the Long Parliament continued great, and under the administration of Cromwell the public revenue was little short of 2,000,000*l.* per annum. Immediately after the Restoration the House of Commons settled on the Crown a revenue of 1,200,000*l.* a year, which was increased to 1,850,000*l.* during the reign of James II. In this sum, however, provision was made for the whole expenditure now known as civil services, including the payment of ambassadors, judges, &c.

It was on the accession of William III. that a distinction was first introduced in the revenue between the portion allotted to the endowment of the Crown and that assigned to the public service. Deprived of any legal title to an hereditary revenue, William was wholly dependent on the dotation granted to him by the British Parliament. Having merged the politics of Britain into the vortex of Continental diplomacy, the yearly expenditure under William's reign greatly exceeded all former amounts. Yet more discrimination was exercised in the levying of taxes than had hitherto been the practice. The hearth-money, so long the object of discontent, was abandoned, and a direct tax was imposed somewhat on the basis of the present income and pro-

perty tax. Queen Anne's reign was distinguished by the auspicious union of England and Scotland, the finances of which were thenceforth amalgamated, and during her reign, frequent wars with France and other Powers caused the public revenue to increase to about 5,500,000*l.* per annum. With the accession of the House of Hanover a brief period of peace intervened; but under the reign of George II. the revenue had further increased to 8,500,000*l.* The time, however, speedily arrived when, under circumstances of danger and public excitement, the finances of the nation acquired a great and permanent enlargement.

Towards the end of the eighteenth century, and during the long reign of George III., with a debt already swollen to a considerable amount, the political relations of Britain began to assume a threatening aspect. Commencing with the fatal misunderstanding on the right of taxing the colonies, which brought about the unfortunate American war, the country was soon after involved in a severe contest with France, whose armies spread terror and anarchy in the heart of all European States. The enormous armaments which Britain set on foot to resist the ambitious spirit of Napoleon, and the loans and subsidies granted to foreign Powers to make common cause against a common enemy, demanded of the nation unparalleled sacrifices. In the first decennium of the nineteenth century the revenue had already increased to an average amount of 48,000,000*l.* per annum; but towards the end of the great struggle, in 1810 to 1819, the revenue rose to an average of 63,000,000*l.*, or thirty per cent. more than

in the previous decennium, besides the extraordinary loans then contracted.

In those days the nation forsook all thoughts of economy. Intent upon one object, no sacrifice was deemed too great to attain it; and millions upon millions were voted without one passing thought of the hardships which were certain to ensue. Year by year we labour to find means whereby some sources of revenue may prove more productive; retrenchments are made, and a handsome surplus is at last secured.Flushed with prosperity, the Chancellor of the Exchequer is besieged by a host of suppliants, each complaining of some peculiar taxes more or less injurious to their interests. For a series of years this air of tranquillity renders the position of the Chancellor of the Exchequer an enviable one. But at last a cloud gathers on the political horizon, a treaty has been broken, certain rights have been infringed, a Don Pacifico has been plundered, the ambitious views of a neighbouring sovereign give rise to anxiety, or the attitude of foreign Powers gives token of coming troubles. First, as measures of prudence, and afterwards for purposes of defence and offence, the army is strengthened, the arsenals give signs of activity, and millions are readily voted where thousands were once grudged. The accumulations of years are then swamped in a moment, taxes are doubled, loans are contracted, and the whole financial system grows out of order. So it was during the French war; so it was during the late Crimean war; and so it will ever be, the political annals of Britain being always reflected in her financial history.

To resume our narration. Having safely lodged Napoleon at St. Helena, and restored the Bourbon to the Tuileries, attempts were made to reduce the military expenditure; but considerable difficulties were experienced, and the impatience of the people to be relieved of most irksome burdens, combined with the stagnation of trade, made it impossible for our ministers to act on a general system of finance. At last, in 1826, the Commons summarily resolved to get rid of the property tax, which yielded 15,000,000*l.*; and that measure was soon after followed by the abolition of the malt duty. This sudden contraction of the revenue was, however, ill-proportioned to the large expenditure still necessary; and thus, for a considerable time after the war, new loans were yearly contracted to meet the deficiency. Taking it altogether, the reign of George the Fourth, though fertile in expedients, was often more ingenious than solid for bettering the national finances.

The short reign of William IV. was not attended by any remarkable financial measure, though the seed was then sown for a complete revision of taxation. From 1830 to 1839, a period of unbroken peace, the revenue was lowered to 47,000,000*l.*, making a total reduction of twenty-six per cent. from the highest point. When Sir Robert Peel entered office, the finances were showing a yearly and growing deficiency. Indeed, ever since 1831 the revenue never equalled the expenditure, and in 1852 the deficit had increased to 12,000,000*l.* The alarming state of the revenue demanded a prompt and efficient remedy. Additional duties were levied,

but these produced no effect. Was it expedient to paralyse still further the resources of the nation by putting higher taxes on articles of food, at a time especially of great public suffering? Sir Robert Peel deemed such a course unadvisable as well as inefficient; and by a bold and novel policy he came forward with the popular announcement of a sudden reduction of those taxes which shackled industry and restricted trade, and the imposition of an income tax to supply the deficiency. Great relief did Sir Robert Peel anticipate from these reductions, and the results more than realized his expectation. Whilst for a number of years previous to 1842 a continuous deficiency in the revenue was experienced, in all subsequent years, till the unfortunate war with Russia, an annual surplus was realized amounting to an average of 3,000,000*l.*, excepting 1847, when, in consequence of the failure of the potato crop and bad harvest, there was a deficiency of nigh 3,000,000*l.*

In 1851 the highest hopes were entertained for a lengthened maintenance of peace, and we were solacing ourselves amidst a universal brotherhood of nations, as we saw them rivalling one another in the arts of peace. The prediction seemed almost nigh fulfilled when ‘all would beat their swords into ploughshares, and their spears into pruning-hooks, and when nation should not lift up sword against nation, neither should they learn war any more.’ But dreams like these were too soon dissipated by a sudden fear of French invasion. Then the wars with Russia, Persia, and China, and the East India mutinies succeeded

each other without interruption. The expenditure increased enormously, and, instead of effecting further reductions in the taxation of the country, as fondly anticipated, a considerable increase became necessary. Whilst the amount of taxation from 1816 to 1851 averaged scarcely 55,000,000*l.*, the average amount from 1850 to 1859 inclusive rose to 60,000,000*l.*, and the revenue for the year ending the 31st December, 1859, reached 70,000,000*l.*

We have thus arrived at the present state of our revenue, and are called upon to examine the financial measures which have just been adopted by our Legislature. Without indulging in much panegyric, we may well congratulate ourselves in having one at the helm of our finances who for grasp of intellect, comprehensiveness of views, and consummate ability in dealing with facts and figures, whether political, financial, or economical, has few or no rivals. It is indeed gratifying to see that course of commercial legislation which signalized the administration of Sir Robert Peel followed up so ably, perseveringly, and systematically by the most distinguished of his followers. It seems reserved for this section of our legislators to render this special service to the nation, as it is reserved for Lord John Russell to reform our parliamentary institutions, and to Mr. Cobden to extend our commercial relations. The present condition of the revenue was well calculated to perplex any financier. If, on the one hand, annuities to the extent of 2,146,000*l.* were about to fall in, several taxes, such as the income tax, and the additional duties on tea and sugar, were about to

expire ; whilst, by a treaty just concluded with France, the British Government had undertaken to recommend measures involving the abolition and reduction of duties to the extent of 1,200,000*l.* And all this at a time when the public expenditure was estimated to reach 70,000,000*l.* The Chancellor of the Exchequer was thus under the necessity of providing for a deficit of 9,400,000*l.*—a task of no ordinary difficulty ; but, instead of going back to the obsolete system of imposing burdens of a nature to cripple our trade and limit our national resources, Mr. Gladstone called on the nation to make a present temporary sacrifice, with a view to a future and permanent good. By allowing the additional rates of duty on tea and sugar to remain as they were, and by imposing an income-tax of 10*d.* in the pound, and other stamp duties, he was able not only to meet the deficit, but to enter courageously into various measures of reform, and to bring out a budget calculated to benefit the best interests of the realm, and one which inaugurates yet another era in that chapter of economical progress which has put Britain far in advance of other nations.

This bold and comprehensive measure limited the number of articles in our tariff to those which are the most productive to the revenue ; removed the last vestiges of protection ; introduced a wise and a long-needed reduction in the wine duties ; and swept away the paper duty, a tax for the early abolition of which the House of Commons had long been pledged. Considerable advance has thus been made in the improvement of our finances, and we may trust that as soon as

a material reduction can be safely effected in our public expenditure, further and more complete reforms may be realized.

Tabular View of the Revenue.

Norman Line.

Reign.	Year.	Amount of revenue.
William the Conqueror	1066-1086	£400,000
William Rufus	1087-1099	350,000
Henry I.	1100-1135	300,000
Stephen	1135-1153	250,000

The Saxon or Plantagenet Line.

Henry II.	1154-1188	...	200,000
Richard I.	1189-1198	...	150,000
John	1199-1216	...	100,000
Henry III.	1216-1272	...	80,000
Edward I.	1272-1306	...	150,000
Edward II.	1307-1326	...	100,000
Edward III.	1327-1377	...	150,000
Richard II.	1377-1399	...	130,000

The Line of Lancaster.

Henry IV.	1399-1412	...	100,000
Henry V.	1413-1422	...	77,000
Henry VI.	1422-1460	...	65,000

The Line of York.

Edward IV.	1460-1482	}	100,000
Edward V.	1483 —		
Richard III.	1483 —		

The House of Tudor.

Henry VII.	1485-1508	...	400,000
Henry VIII.	1509-1546	...	800,000
Edward VI.	1547-1553	...	400,000
Queen Mary	1553-1558	...	450,000
Queen Elizabeth	1558-1602	...	500,000

The House of Stuart.

Reign.	Year.	Amount of revenue.
James I.	1602-1622	£600,000
Charles I.	1623-1647	900,000
The Commonwealth }	1648-1684	{ 1,500,000
Charles II. . . . }		{ 1,800,000
James II.	1684-1688	2,000,000

Since the Revolution.

William III.	1688-1701	... 4,000,000
Queen Anne	1701-1713	... 6,000,000

House of Hanover.

George I.	1714-1727	... 7,000,000
George II.	1727-1760	... 8,500,000
George III.	1760-1820	{ to 15,000,000 70,000,000
George IV.	1820-1830	... 58,000,000
William IV.	1830-1837	... 56,000,000
Queen Victoria	1837-1859	... 55,000,000

CHAPTER III.

TAXATION IN RELATION TO NATIONAL RESOURCES AND
POPULATION.

IN our review of the resources of the empire we have seen that the taxation of the United Kingdom has not in the least eheeked the development of national resources. The wonderful achievements of the British nation have been purchased, it is true, by means of hard and heavy sacrifices ; but such sacrifices have never prostrated the energies of the people. Doubtless, when bread and other provisions were put beyond the reach of ill-rewarded industries by an ill-judged taxation, and when an ignorant policy of monopoly and restrictions circumscribed our trade and limited our resources, the poor were the first to suffer, and many an honest labourer was forced to sink into the mire of pauperism.

Nevertheless, were we to dive deeper into the arcana of the gigantic prosperity of Britain, we should find that, in a great measure, it is the result of the difficulties whieh British nationality imposes. To meet a personal expenditure greater by far than that required in any other country, to answer the calls of the tax-

gatherer, and to provide for those comforts which the wants and conventionalities of British society have created, great efforts are needed. No one is allowed to indulge in *dolce far niente*. The energies of the body and mind are taxed to the utmost extent; the laws of nature, physical and intellectual, are all rendered subservient to the creation of capital; the ship of fortune is fearlessly dashed through the storms and gales of adversity; and acts of daring, from which the timid adventurer would shrink, become the vehicles of colossal treasures. Here and there a bark is foundered; often intellect and bodily strength become a wreck amidst shattered fortunes and reputation; yet the British character, inured to hardships and storms, conquers all difficulties, and increases in vigour and solidity.

Within the last fifty years the burden of taxation on the wealth and income of the nation has greatly lessened. Whilst in 1801-10, with an estimated total income of 230,000,000*l.*, there were 57,000,000*l.* of taxes, or, in other words, 25 per cent. of the income, devoted to State purposes; and in 1841, with an income of 450,000,000*l.*, the taxation fell to 53,000,000*l.*, reducing the amount devoted to national purposes to 12 per cent.; now, with an income estimated at 600,000,000*l.*, our average amount of taxation is 63,000,000*l.*, or a little more than 10 per cent. of the income. This is an immense improvement upon the former condition of public finances, and one which is full of promise for future progress.

But the present condition of taxation is still better, when viewed in relation to population. Whilst with a population of 17,000,000, the average taxation of 1801-10 was 3*l.* 7*s.* per head, which increased in the following decennium to 3*l.* 16*s.* 1*d.* per head, now, with a population of 29,000,000, the average taxation is no more than 2*l.* 5*s.* per head;* and if we take the average of the last 30 years, it is no more than 2*l.* 2*s.* per head. This is the amount now paid for the protection of life and property, for fulfilling our engagements with the public creditors, for promoting arts and science, and for accomplishing all the duties imposed upon a free State. And what is this amount but a premium of insurance paid for the security enjoyed under a strong and beneficent government? It is, indeed, a comfort to know that, however dear may be the premium so paid, the object sought is fully attained, and that, for completeness of administrative control, order, and security, the United Kingdom stands far in advance of other countries. And truly 42*s.* per head is not too much to

* *Relation of Taxation to Population.*

Years.	Population.	Taxes.	Amount of taxes per head.
1801-10	17,000,000	£57,000,000	£3 7 1
1811-20	20,000,000	74,000,000	3 14 0
1821-30	22,500,000	58,000,000	2 11 6
1831-40	25,500,000	51,000,000	2 0 9
1841-50	27,000,000	55,000,000	2 0 8
1851-58	28,500,000	60,000,000	2 2 1
1859	29,000,000	66,000,000	2 5 0

pay, when we consider the vast territories we have to protect, and the number and wealth of those benefited by the influence and power of the British Government. Has it occurred to our readers that half the commerce of the world is carried on by Englishmen? that most of the activity, life, and prosperity of the maritime towns in every country of the world is produced by English commerce? that British wealth is invested in all kinds of undertakings in every part of the world? that a good portion of the government securities of all nations is held by British capitalists? that literally and absolutely our gracious Queen possesses an empire over which the sun never sets? and that, with the colonies and dependencies, the number of persons subject to British laws and protected by British institutions exceed 210,000,000? And when we think that more than two-fifths of our present taxation are devoted to the payment of interest of the public debt, and other two-fifths are spent for the national defences, and that one-fifth alone is required for the maintenance of our civil rule, it will be allowed that the government of the country is carried on at a very moderate cost.

The following table will afford some idea of the revenue of other countries in relation to population, but, as no universal rule regulates what is included in the public revenues, many taxes which are in one country classed as local, are in other countries included in the State revenue. We cannot, therefore, safely establish upon such a table any comparative results.

The public revenue of the United Kingdom does not

include the local taxation, which has of late assumed a considerable importance. Such local taxation is levied for the relief of the poor, for the maintenance and repair of the fabric of the church, for highways, for local improvements, turnpike tolls, &c. The total of these, exclusive of market tolls, port dues, sewers rates, and other items not ascertained, amounted in 1859 to nigh 15,000,000*l.*, viz., 11,600,000*l.* in England and Wales, 1,300,000*l.* in Scotland, and 1,700,000*l.* in Ireland, besides 300,000*l.* for light dues.

Comparative Amount of Public Revenue of European States.

Countries.	Population.	Years.	Revenue.	Amount per head.
United Kingdom	28,500,000	1851-59	£60,000,000	£2 2 1
Holland . . .	3,500,000	1850-56	6,200,000	1 18 0
France . . .	36,000,000	1860	73,000,000	2 0 0
Belgium . . .	4,600,000	1859	6,000,000	1 7 0
Sardinia . . .	5,000,000	1853-57	5,300,000	1 1 0
Prussia . . .	16,000,000	1852-55	16,000,000	1 0 0
Spain . . .	16,000,000	1855-57	16,000,000	1 0 0
Portugal . . .	3,500,000	1854-57	2,800,000	0 16 6
Austria . . .	38,000,000	1851-58	27,000,000	0 16 0
United States	28,000,000	1857-58	17,000,000	0 12 2
Denmark . . .	1,400,000	1850	2,000,000	1 8 6
Russia . . .	71,000,000	1849	43,000,000	0 12 0

*Local & Imperial Tax for 1859
£95,062,000 at £3-1 per head -*

CHAPTER IV.

DISTRIBUTION OF TAXATION.

NO principle is more fully established in civil society than that which imposes on all the subjects of a State the duty to contribute to the support of the government as nearly as possible in proportion to their respective abilities, that is, in proportion to the revenues which they respectively enjoy under the protection of the State. As it is the primary duty of government to protect all subjects alike, and to admit of no distinctions, so it is right that each subject should contribute towards the expenses necessary for the maintenance of such government. Let us see how far the taxation of the United Kingdom fulfils this most important principle of political equity. It is difficult properly to estimate the relative amount of taxation in England, Scotland, and Ireland. As far as can be gathered from national accounts, it appears that England, with a population of 18,000,000, contributes a revenue of 49,000,000*l.*, or at the rate of little more than 2*l.* 9*s.* per head; Scotland, with a population of 3,200,000, contributes about 7,200,000*l.*, or 2*l.* 6*s.* per head; but Ireland, with a population of 6,000,000, contributes about 7,000,000*l.*, or little more than 1*l.* 1*s.* per head. This disparity will be accounted for, however, by the

less amount of property for which Ireland is assessed. Thus England is assessed for property and income tax to the extent of 261,000,000*l.*, or 13*l.* 10*s.* per head; Scotland is assessed for 30,000,000*l.*, or 10*l.* per head; and Ireland is assessed for 21,000,000*l.*, or only 3*l.* 6*s.* per head. The resources of Ireland are, however, materially improving, and her agricultural wealth is extensive; so that we may anticipate a speedy advance in that country to a level with the other portions of the realm.

Much greater difficulty is, however, experienced if we attempt to ascertain the relative amount of taxation actually derived from different classes of society. When we speak of the taxation of the United Kingdom averaging about 42*s.* per head for the entire population, it is quite evident that this does not represent the real distribution of taxation, and that great irregularities must necessarily exist in the apportionment of taxes. How to distinguish the various classes of society is, indeed, a task of great difficulty. Between the millionaire who luxuriates in wealth and comforts, and the poor shivering orphan boy dependent on parochial relief, there are so many infinitesimal gradations that it is almost impossible to draw any broad line of demarcation. In estimating the portion of taxes paid by these various classes we must not only regard their conventional rank, but their absolute income. Thus nobility is not always a criterion of wealth, nor a rough exterior a sure mark of poverty. In common language, the upper classes are limited to 'the upper ten thousand'; but surely the wealthy classes extend

over a much wider circle. Who are the occupants of those stately mansions so profuse in sumptuous ornaments, and so enriched with costly gems of art? Merchants who have acquired princely fortunes, but whom the aristocracy of caste despairs to recognise otherwise than as middle classes. We must, however, for our purpose, combine the aristocracies of birth and of wealth together; and, instead of 10,000, calculate 1,000,000 persons, which, at 5 for a family, give 200,000 families, as belonging to the upper and wealthy classes. A much larger number, perhaps 9,000,000, of individuals, or 1,800,000 families, by their occupation, status in society, and means, belong to the middle class of life. Amongst these we have the merchant, dealer, shipmaster, accountant and clerk, the barrister and solicitor, the medical man, teacher, and minister of religion. The working classes may number about 18,000,000, and we may have about 1,000,000 of poor, old, and infirm, depending on public relief, or otherwise quite unable to pay taxes.

Having thus distributed the population according to their respective power of paying taxes, let us see whether they all pay their due share in proportion to number and income. An attempt was recently made by the Customs and Excise authorities to ascertain the quantities of tea and sugar respectively consumed by the upper, middle, and working classes. The returns were obtained from grocers carrying on the largest amount of business in the most important towns and villages of the kingdom; and the result of their numerous answers was, that of tea the upper classes were

supposed to consume about $17\frac{1}{2}$ per cent., the middle classes 38 per cent., and the working classes $44\frac{1}{2}$ per cent. Of sugar the upper classes were believed to consume $22\frac{1}{2}$ per cent., the middle classes 38 per cent., and working classes $39\frac{1}{2}$ per cent. Taking these calculations for our basis, and taking into consideration the nature of the other taxes, some of which are wholly paid by the upper and middle classes, and other taxes in different proportions, we have the following results. Of 24,000,000*l.* Customs duties, about 5,600,000*l.* are paid by the upper classes, 9,500,000*l.* by the middle classes, and 10,000,000*l.* by the working classes. Of the 18,000,000*l.* of Excise, upwards of 16,000,000*l.* of which are from spirits and licence duties on spirit dealers, the upper classes are likely to pay about 4,000,000*l.*, the middle classes 6,000,000*l.*, and the working classes 8,000,000*l.* Of the stamp duties, on the contrary, the largest portion, consisting in duties on legacies and succession, deeds for the transfer of land, fire insurance, bills of exchange, &c., the proportion paid by the working classes is very small; and, of the whole amount of 8,000,000*l.*, probably 3,000,000*l.* are paid by the upper classes, 4,500,000*l.* by the middle classes, and 500,000*l.* only by the working classes. The assessed taxes, consisting of land tax, house tax, servants tax, and the income and property tax, are almost exclusively paid by the upper and middle classes, in the proportion of 5,000,000*l.* each; and of 12,000,000*l.* of poor and local taxes, 5,000,000*l.* are probably paid by the upper classes, 5,000,000*l.* by the middle classes, and 2,000,000*l.* by the working classes.

Taking the whole amount of taxes, including both public and local taxes, at about 74,000,000*l.*, a total of 22,500,000*l.* is paid by the upper classes, 31,000,000*l.* by the middle classes, and 20,300,000*l.* by the working classes.*

Such is the proportion of taxation likely to be paid by the three classes of the people. We shall now endeavour to compare it, first, with the number belonging to the respective classes, and then with the

* *Relative Amount of Taxation supported by the Upper, Middle, and Working Classes—Public Taxation, in 1858, 61,800,000*l.*; Local Taxes, 12,000,000*l.**

	Total taxation. <i>£</i>	Upper classes. <i>£</i>	Middle classes. <i>£</i>	Working classes. <i>£</i>
CUSTOMS—				
Tea	5,200,000	900,000	1,900,000	2,400,000
Sugar	6,000,000	1,350,000	2,230,000	2,420,000
Tobacco	5,500,000	1,000,000	2,000,000	2,500,000
Wine	2,000,000	1,000,000	1,000,000	—
Spirits	2,300,000	700,000	900,000	700,000
Other articles	4,000,000	700,000	1,500,000	1,800,000
EXCISE—				
Malt and spirits	15,000,000	3,000,000	5,000,000	7,000,000
Licences	1,500,000	300,000	700,000	500,000
Paper	1,300,000	400,000	700,000	200,000
Carriages	500,000	100,000	300,000	100,000
Hops	500,000	100,000	200,000	200,000
Stamps	8,000,000	3,000,000	4,500,000	500,000
Assessed taxes	3,000,000	2,000,000	1,000,000	—
Income tax	7,000,000	3,000,000	4,000,000	—
Poor rates	6,000,000	2,500,000	2,500,000	1,000,000
Local rates	6,000,000	2,500,000	2,500,000	1,000,000
	73,800,000	22,550,000	30,930,000	20,320,000

The effect of the financial measures of 1860 is to diminish still further the taxation of the working classes by removing a large portion of the 1,800,000*l.* now paid by them in Customs duties, and increasing the amount of income tax, which, as at present assessed, is thrown exclusively on the upper and middle classes.

amount of income they may be supposed to possess. In proportion to number, it will be easily seen that the 1,000,000 of persons belonging to the upper and wealthy classes, upon whom 22,500,000*l.* are charged, will pay about 22*l.* per head; that the 9,000,000 persons belonging to the middle classes, from whom there are levied about 31,000,000*l.* of taxes, will pay, on an average, 3*l.* 9*s.* per head; and that the 18,000,000 of working classes, upon whom 20,000,000*l.* of taxes are charged, will pay an average of 1*l.* 18*s.* per head. But how shall we appreciate the relation such taxes bear to the income of the classes of society?

In the absence of any test whereby to ascertain the extent of such income, whatever suggestion may be offered must be conjectural only, yet it may be useful as a landmark to more comprehensive studies. As regards the upper classes, though, in the 1,000,000 so classed, there may be some possessing an overflowing annual income, there are not a few who have their estates well burdened with debt; so that we cannot calculate the whole number to receive, on an average, an income of more than about 900*l.* per family per annum, or 180*l.* per individual, giving a total income of about 180,000,000*l.*

Among the 9,000,000 of middle classes there may be many receiving an income of 600*l.* or 800*l.* per annum, but a large portion have but scanty resources. The income of the clergy may perhaps not exceed 120*l.*, that of schoolmasters 100*l.*, and that of clerks even less. If we assume the whole of these 1,800,000 families to be receiving 150*l.* a year, we have a total

income of the middle classes of about 270,000,000*l.* And, as regards the 18,000,000 of working classes, many of them no doubt are receiving wages sometimes as high as 3*l.* or 4*l.* per week; but the mass are not likely to receive more than 10*s.* or 12*s.* per week on an average; yet it must be remembered, that amongst this class the income of the family does not always depend on the wages of one, but often father, mother, and children are all in receipt of wages. If we take, then, the total average amount at 15*s.* per week for each family of five, we have 3,600,000 families of workmen receiving a total amount of about 140,000,000*l.* Taking these sums as representing the income of the upper, middle, and working classes, it will be found that the amount of taxes they respectively pay, viz., 22,500,000*l.* the upper classes, 31,000,000*l.* the middle classes, and 20,300,000*l.* the working classes, will bear a proportion of 12 per cent. for the upper classes, 11½ per cent. for the middle classes, and 14 per cent. for the working classes.

Doubtless it is much more grievous to a working man to pay 14 per cent. out of his scanty and precarious income for public purposes, than for a wealthy man to set aside an equal sum from his overflowing resources. But, practically, how do the working classes pay these 20,300,000? Do such taxes press on their first necessities of life? Far from it. The 21*s.* per head, which are estimated to be paid in taxes by the working classes are derived as follows:—tea, 2*s.* 8*d.*; sugar, 2*s.* 8*d.*; malt and spirits, 8*s.* 6*d.*; tobacco, 2*s.* 10*d.*; other taxes, 4*s.* 4*d.* Of the total 21*s.* per head,

11s. 4d. are thus derived from their drinking habits and their tobacco, articles from which they can well abstain, and which are of little or no use, either bodily or intellectually, and 9s. 8d. from provisions and other necessaries. This is really the amount of taxes paid at present by the temperate and frugal portion of the working classes of the United Kingdom, and we doubt if they are as lightly taxed in any other country. Their bread, butter, milk, meat, fish, vegetables, and fruit, house, coal, candle, dress, education, are all free of duty; the only taxed articles, besides spirits, are, practically, tea and sugar.

But we may try another mode to ascertain whether the present taxes are equitably distributed. Supposing that, for the protection of personal rights and privileges, in which all share alike, the entire population should bear the burden of half the total amount of taxes; and that, for the protection of property, the middle and upper classes should bear the other half in proportion to their incomes, viz., 180,000,000*l.* and 270,000,000*l.* respectively, or a total of 450,000,000*l.*, we would have the following results: the upper and wealthy classes, numbering 1,000,000, should pay 1,300,000*l.* on account of their rights and privileges, and 14,760,000*l.* for the protection of their property, or a total of 16,060,000*l.* The middle classes, numbering 9,000,000, should pay 11,900,000*l.* on account of their rights and privileges, and 22,100,000*l.* for the protection of their property, or a total of 34,000,000*l.*; and the working classes, numbering 18,000,000, should

¶ & hence we see that in great measure the taxation inc. by the w. man's family is as it is the amount inc. for himself alone - and for wife & children -

pay 23,700,000*l.* on account of their rights and privileges. But, as we have seen, the upper classes pay 22,500,000*l.*, the middle classes 31,000,000*l.*, and the working classes 20,300,000*l.* It will follow, therefore, that the upper classes pay 6,500,000*l.* more than the value of the protection they enjoy for their person, privileges, and property; that the middle classes pay 3,000,000*l.* less than they ought to pay for similar privileges and protection; and that the working classes also pay 3,500,000*l.* less in relation to their number and the privileges they enjoy.

The duty of paying taxes devolves on all the subjects of a State quite irrespective of their income and position in society. It is, we repeat, not only for the protection and safeguard of our property that we are called upon to pay, but for the enjoyment of our rights and privileges, in which the labouring man and the poor are as much interested as the rich. In the glorious charter of national greatness all have an equal share. And where would be the independence, where the natural pride of the great mass of our sturdy workmen, did they not feel that they contribute something towards maintaining and uplifting the honour and glory of their fatherland? With the progressive intelligence and manly good sense which characterize our working classes generally, we believe that one and all of them would scorn the idea of an unjust exemption from taxes. Much remains to be accomplished with a view to a more equitable and convenient distribution of taxes, but the means now in operation for obtaining correct

statistical information of the economical condition of the people, together with the practical application of the principles of financial science, will gradually lessen the inequalities and lighten the burden of national taxation.

- This may be true but it leaves open the question whether it might not be expedient to impose a special tax on the classes who margin to their incomes for certain objects such as Improved dwellings
Instruments & Providence &c

CHAPTER V.

SOURCES OF TAXATION.

THE revenue of ancient Sovereigns differed widely, both in nature and amount, from that now granted by the nation for State purposes. There was a time when the public revenue consisted of income derived from the property of the Crown, of certain lucrative prerogatives annexed to the Crown, of voluntary contributions from individuals or public bodies, and of taxes or imposts levied by the authority of the representatives of the people. Most of these rights have either become obsolete or were expressly abolished. A wise distinction is made between the dotation of the Sovereign and the revenue of the State; and the patrimony of the Crown, except the annual grant to the Sovereign, is administered for public purposes.

Although the financial system of the United Kingdom lays no claim to a scientific arrangement, yet, as the result of imperious necessities, of severe struggles, of long experience, and of numerous experiments, it is well entitled to a close study and attention. Nearly the whole of the public revenue is now obtained by a mixed system of direct and indirect taxes. This system, however, has been attacked with the utmost vigour; and, for the purpose of remedying any unfairness in the distribution of taxation, and removing

the fiscal burdens which still clog international trade, it has been proposed to abolish all indirect taxes, and charge a uniform direct tax, either on realized property or on income. But, judging from the experience of all nations and of all times, such a mixed system of direct and indirect taxation appears the most convenient if not the most advantageous for the government and the people. Both methods have their peculiar advantages and disadvantages, and together we believe they act harmoniously. Direct taxes admit of greater clearness and certainty. They are easier collected, are less subjected to indirect influences or changes of custom, and take from the public no more than is actually required by the State ; whilst they possess better elements for the equitable apportionment of public burdens, and for the more economical collection of the revenue.

Yet there is much in indirect taxation to recommend it as proper means for obtaining at least a portion of the revenue, so long at least as such revenue is so considerable in amount. To a great extent such taxes are contributed by the people at large in fair proportion to their means, and very much in relation to their peculiar habits, caprices, and modes of life. Some classes of the community could with difficulty be reached except by some plan of indirect taxation. To collect a small tax from all would prove a sheer impossibility. The machinery required would be quite out of proportion to the amount to be collected. To collect such taxes through the masters would be as difficult, and would be objectionable on political grounds.

Indirect taxes are borne with greater resignation, just because they are unnoticed when paid. They are not so irritating as direct taxes. Merged in the weekly expenditure, they constitute no special burdens on any ; and though the import duty may somewhat add to the price of the article even beyond the duty itself, the consumer scarcely perceives the centesimal proportion by which the cost is thereby enhanced.

Nor is it unimportant to have an eye to the popularity or unpopularity of certain taxes. The body politic, whatever be its constitution, is often convulsed and subject to internal ebullition. When labour is scarce and food is dear, when measures of reform are retarded or political faction is rampant, then the difficulties of collecting the ordinary revenues are tenfold aggravated, and then it is that direct taxation is more generally evaded and even proudly resisted. The state of political education among the people seems also to dictate the necessity of resorting to indirect taxation. How few comparatively know what is done with the money collected annually by taxes. What exaggerated notions would be formed of the cost attending the maintenance of regal authority ; and although through the means of the public press much political knowledge is diffused in the cottage as well as in the palace, but vague notions are formed of the proceeds and disposal of the public revenues. It must be admitted that, however much we may be convinced of the necessity of supporting the State, and however strong the belief that strict integrity and the utmost economy are exercised in the administration of the public

funds, there is a natural aversion in contributing for such public purposes any given sum out of our individual resources. A fair combination of direct and indirect taxes is more elastic and manageable, and enables the Chancellor of the Exchequer to supply the wants of the State with greater ease and more extended co-operation.

Indirect taxes are said to be opposed to the principle that every tax ought to be so contrived as both to take out and to keep out of the pockets of the people as little as possible over and above what it brings into the public treasury. Doubtless the trader and dealer must charge interest and profit not only on the price of the article but on the duty he must pay beforehand. This addition was, however, much more grievous when Customs duties were required to be paid on the arrival of the goods, when there were no bonding warehouses, and when great difficulties were in the way of the immediate supply of the articles in distant places of the realm. Now this is all changed. Every facility is afforded by the Customs authorities for diminishing the loss produced by the investment of large sums in duties, by allowing the articles to be kept in bond till they are actually wanted for consumption ; and so expeditiously are goods carried from place to place, and so instantaneous are the means of communication, that the trader in the farthest corner of the land need not provide himself with a greater quantity of duty-paid goods than he requires for his immediate wants.

Nor can we say that any material difference exists in

the cost of collection between direct and indirect taxes. Owing to the improvements made in the revenue department, the cost of collecting the different branches of the revenue has been much reduced, and somewhat more equalized. The rate of collection of Customs duties is now about $3\frac{1}{2}$ per cent.; the Excise costs 4 per cent.; the stamps $2\frac{1}{2}$ per cent.; income and property tax, 2 per cent.; and the assessed taxes, $4\frac{3}{4}$ per cent. And whilst there are as many as 54,000 tax collectors, no fewer than 44,000 are employed in collecting the land and assessed taxes, and property and income tax; 4000 in collecting the Excise, and 6000 in the Customs department.

The present taxation of the United Kingdom is raised in the following manner:—Of direct taxes we have the income and property tax, and the land and assessed taxes. Of indirect taxes we have the Customs and Excise, the Stamps and the Post-office; the proportions of the different sources being 16 per cent. direct taxes, 81 per cent. indirect taxes, and about 3 per cent. miscellaneous receipts.* As compared with other coun-

* *Direct and Indirect Taxes and Miscellaneous Revenue.*

Taxes.	Direct.	Per cent.	Indirect.	Per cent.	Miscellaneous.	Per cent.
	£		£		£	
Customs . . .	... ...	...	24,000,000	37		
Excise . . .	... ...	...	18,000,000	27		
Stamps . . .	... ...	...	8,000,000	12		
Land & assessed taxes . . .	3,200,000	5				
Income tax . . .	7,000,000	11				
Post-office . . .	... ...	...	3,000,000	5		
Old stores . . .	... ...	...	... ...	...	2,500,000	3
	10,200,000	16	53,000,000	81	2,500,000	3

tries, we are perhaps obtaining far too large an amount from indirect taxation ; but the revenues of foreign States generally comprise a much larger amount from property belonging to the crown, monopolies, &c., &c. In Prussia the proportion of direct tax is 46 per cent., in Austria 32, in Russia 29, in Holland 25, in Spain 25 per cent., in Portugal 23, and in France 17 per cent. ; and whilst we are obtaining as much as 81 per cent. in indirect taxes, in Russia the proportion is only 32 per cent., in Prussia 40 per cent., in Portugal 50, in Holland 51, in Austria 52, in Spain 62, and in France 63 per cent. The miscellaneous receipts which in the United Kingdom cannot be considered as taxes, in other countries form some of the most pernicious sources of regal exactions. From these sources the revenue of the United Kingdom receives only about 3 per cent. In Russia they amount to as much as 39 per cent., including the brandy monopoly. In Holland the proportion of these taxes is 24 per cent., in Portugal 17, in France 20, in Austria 16, in Prussia 14, and in Spain 12 per cent.

The classification of direct and indirect taxes is indeed somewhat objectionable, it being often difficult to distinguish between the one and the other. Another classification has been suggested, viz., 1st, taxes on persons ; 2nd, taxes on property and income ; 3rd, taxes on enjoyments ; 4th, taxes on consumption ; and, 5th, taxes on deeds : but, for practical purposes, the general classification of direct and indirect, with their natural subdivisions, is perhaps preferable.

CHAPTER VI.

TAXES ON COMMERCE.

IT is impossible to contemplate the wise distribution of the produce of the earth, and the variety of skill and industries of its multitudinous inhabitants, without being led to the conviction that it was the gracious design of Providence to constitute of the whole human race one vast family and one entire commonwealth, supplying each other's wants, and administering to each other's comforts. Mutual dependence is the very fulcrum of society. The world is not divided into departments, each possessing all that may be required for the existence and welfare of its own inhabitants. Nature is apparently capricious in her gifts. Here she is rich in metals, there in sugar, and at another place in spices ; and though mountains, seas, and deserts, habits and manners, colour and languages separate the various families of the earth, yet there is no chasm or precipice between them. The existing separations are intended to quicken rather than to arrest human energies, to enliven rather than to lull our search for necessities, for comforts, and for luxuries, in whatever corner of the earth they may be found. It is for man, by every means which science and industry may suggest, to approximate distances, and by a free interchange of pro-

duce and industries to cause the resources of the world to be made available to the immediate necessities of each country.

Whilst Nature seems thus to urge us on to seek elsewhere those articles which are refused to us within our own borders, she teaches us to husband and foster to the highest possible degree and excellence such articles as are natural and indigenous to our soil and industry. Providence has for wise purposes made each nation the sole depository of some of her gifts, and she expects her trustees to preserve that trust intact and vigorous. It is our duty to apprehend the economical laws of production, and so cause not a particle of capital to be wasted in the great laboratory of nature. It is our duty to make full use of those wonderful physical combinations which so assist human capacities. And it is by thus carrying out this double principle of preserving, developing, and spreading the riches of the world, that the welfare of mankind can alone be promoted.

The operation of this beneficent natural law has been well described by Mr. M'Culloch as follows : ‘It is easy to see that foreign trade, or the territorial division of labour between different and independent countries contributes to increase their wealth in precisely the same manner that the internal trade contributes to increase the wealth of different provinces of the same kingdom. There being a far greater variety in the productive powers with which nature has endowed different and distant countries than there is in those of the provinces of any one country, it would seem that a free inter-

course between them must be proportionally more advantageous. It would, it is evident, cost infinitely more to raise the wines of France, the fruits of Spain, or the sugars of Jamaica in England, than to make Yorkshire yield the same produce as Devonshire. Indeed there are myriads of products, and some of them of the greatest utility, that cannot be raised except in particular countries. Were it not for foreign commerce, we should be wholly destitute of tea, coffee, rawcotton, rawsilk, spices, gold, bullion, and a thousand other useful and valuable commodities ; and Providence, by giving different soils, climates, and natural production to different countries, has evidently intended that they should be mutually serviceable to each other. If no artificial obstacles were thrown in the way of their intercourse, each people would naturally engage in preference in those employments in which they have a superiority, exchanging such parts of their produce as they could spare for the productions they could more advantageously bring from others. And thus, by exciting industry, rewarding ingenuity, and using most efficaciously the peculiar powers bestowed by nature, commerce distributes labour as best suits the genius and capacities of every country. By making us acquainted with various productions to which we should otherwise have been entire strangers, it gives us new tastes and new appetites, at the same time that it affords the means and excites the desire of gratifying them. It enables each particular people to profit by the inventions and discoveries of all the rest ; while, by bringing the home pro-

ducers into competition with foreigners, it stimulates their industry and invention, and forces routine to give way to circulation. The division of labour is carried to its farther extent, the mass of necessary and useful products is vastly augmented, and opulence generally diffused. Nor is the influence of commerce in other points of view less powerful and salutary. It is the grand engine by which the blessings of civilization are diffused, and the treasures of knowledge and of science conveyed to the remotest corner of the habitable globe ; while, by making the inhabitants of each country dependent on the assistance of those of others for a large share of their comforts and enjoyments, it forms a powerful principle of union, and binds together the universal society of nations by the common and powerful ties of mutual interests and reciprocal obligation.' These are sound and true conclusions, of universal application ; and well would it be for the European nations had they regulated their intercourse by the principles thus indicated. A cursory inspection, however, of the present condition of national industries, in this and other countries, and of the state of international intercourse, shows such European nations especially how far they have been from fulfilling these various obligations. Instead of acting as stewards of invaluable treasures in trust for the whole world, they have assumed a despotic ownership over them. They have propped up industries by artificial means, and diverted the course of nature by the production of things injurious to health, or by the prohibition of those

which were necessary to their very existence. They have, in fact, done all that was in their power to neutralize, if not to thwart altogether, the designs of Providence.

It was the exclusiveness of the Venetians that first established Customs duties for the purpose of depriving foreigners of the benefit of their trading, and in return for such ungenerous policy, Charles V. imposed 20 per cent. duty upon all Venetian merchandize. When the great Colbert entered office under Louis XIV. of France, the farming of the customs was about to expire; but he unfortunately seized the opportunity of revising the tariff with a view to rendering it subservient to the protection of national industry. And after this first step in economical errors, European nations added stone upon stone to the building of a complete mercantile system, which proved afterwards so pernicious to their best interests. ‘It is no exaggeration to affirm,’ wrote M. Stork, in his treatise on *Political Economy*, ‘that there are but few political errors which have produced more mischief than the mercantile system. Armed with power, it commanded and forbade what it should have protected. The regulating mania which it inspired tormented industry in a thousand ways to force it from its natural channels. It made each nation regard the welfare of its neighbour as incompatible with its own. Hence the reciprocal desire of injuring and impoverishing each other, and hence that spirit of commercial rivalry which has been the immediate or remote cause of the greater number of modern wars. This system stimulated nations to employ force or cunning to extort commer-

eial treaties, productive of no real advantage to themselves, from the weakness or ignorance of others; it formed colonies that the mother country might enjoy the monopoly of their trade, and force them to resort exclusively to her markets. In short, where it has been productive of the least injury, it has retarded the progress of national prosperity. Everywhere else it has deluged the earth with blood, and it has depopulated and ruined some of those countries whose power and opulence it was supposed to carry to the highest pith.' But why spend our time in recounting the failure of such a system, the disappointments it created, the injuries it inflicted, and the wrongs it perpetrated? The charm is now dispelled. Under the refining process of economical writers, the treasure on which the hopes of the protectionists so fondly rested was ascertained to be vain and delusory. Precious gems were one after another extracted from the necklace of protection, until at last, half famished for want of food, and half naked for want of raw materials for our manufactures, Britain abandoned for ever a system which, while seemingly adorning her legislation, filled her with nothing but presumption and self-sufficiency.

CHAPTER VII.

TREATIES OF COMMERCE.

IT is no longer needed, in the advanced state of civilization, to secure by international treaties mutual protection to persons and property; nor is it advantageous to obtain by such treaties special privileges for ourselves at the expense of other countries. Our notions of commerce have long passed, we trust, such a state of pupilage; and, with the whole world open to British industry, treaties of commerce are, in reality, no longer wanted. Our practice has been to reform our commercial policy independently of any reciprocity from other countries, and we have been looking forward with confidence to the time when other nations, having regard to their own interest, would deem it best to follow a similar policy. It is, therefore, with some degree of disappointment that we have heard of the conclusion of a treaty of commerce with France; by which, whilst we have bound ourselves to introduce further reforms in our Customs legislation, France has inaugurated a new era in her commercial policy, which had hitherto been characterized by the most complete system of exclusion and protection.

Ever since we opened our ports, left our manu-

facturers and producers to an unlimited competition, and repealed every restriction in our navigation laws, thus throwing open to foreign vessels our direct and indirect trade, our colonial trade, and even our coasting trade, France participated in her full share of such benefits; but she never responded to our repeated invitations to reciprocate with a similar policy. On the contrary, she persisted in a policy of prohibitions, she adhered to the old principles of protection, she excluded from her markets our chief manufactures, and at the very time she was reaping the fruits of a policy of freedom which she did not understand, her parliament and her press were casting upon us the loudest invectives and the most wanton abuse. Of course we could afford to smile at such exhibitions, and could only hope that one day or other our neighbours would open their eyes to their own good, and acknowledge they were in the wrong.

Such a day has at last come. The Emperor, alive to the best interests of France, has emancipated himself from the thraldom of the producers and manufacturers, and has entered boldly into a career of reform. Before, however, the smallest benefit was granted to British manufacturers, care was taken to secure double advantages for France by means of a treaty of commerce. But what need was there of any treaty under such circumstances? The measures thereby suggested are doubtless beneficial in themselves, and were demanded for our own advantage; but we would have adopted them when most convenient to ourselves without being compelled to effect them by a commercial treaty. Nor

can it be said that perfect reciprocity of advantages is thereby provided.

Whilst we have set free from duty a large number of articles of French produce and manufacture, and lowered considerably the duties on wine and brandy, France has changed her policy of exclusion and prohibition of British produce and manufacture into *ad-valorem* duties of 30 per cent. from October 1st, 1861, and of 25 per cent. from October, 1864. We may doubt very much whether at such high duties our manufactures will be able to compete in the French markets with any chance of success, and we rather fear that such a tax will prove fatal to any great extension of the use of British goods. Still, the reform in the French tariff, as regards raw material, articles of consumption, and foreign manufactures, is a most important step towards the recognition of liberal principles of commerce in France and throughout the world; and we only regret that the abolition of customs duties and the introduction of a sound commercial policy should have been made the subject of a treaty of commerce.

Much has been done, but much more remains to be done, in removing the shackles which yet intercept international trading. The tariff of Holland has, since 1845, been subjected to several modifications, and one by one the transit duties, the protective laws on navigation, and the corn laws were abolished. But Holland still maintains the colonial system, by which she grants to a commercial company the exclusive right to trading in the valuable productions of

Java. Spain still adheres to customs duties, both as a means of revenue and as a protection to national industry. Russia, Sweden, Norway, the Roman States, and the United States of America have all introduced liberal modifications in their customs legislation ; but all these nations maintain protective duties. The German *Zollverein* affords a most remarkable illustration of the recent progress of customs legislation in Europe. As early as 1818 Prussia first projected to form a union of neighbouring States for a uniform diminution of customs duties. Upon that nucleus all the other German States gradually merged, and thenceforth they recognised no artificial boundary among themselves. Nowhere there existed greater alienation than among the German States before 1818, yet they succeeded in realizing a bond of union which sooner or later will, we trust, bind all the European States. The Italian States afford another illustration of the injurious influence of the customs legislation in hindering the expansion of industry, and the investment of capital in public undertakings. Yet the economists of Italy were the first to advocate the principles of freedom of trade ; and we trust that, as Italy consolidates her political organization, she may be enabled to carry such principles into actual practice.

There are doubtless many obstacles to be surmounted ere we can realize all the benefits of an unchecked commercial intercourse with other nations. The state of finances forbids many States to attempt experiments and to introduce radical changes in their revenue. The excessive military expenditure necessarily retards substantial reforms, and national prejudices often stand in

the way of the adoption of great and broad principles of commercial freedom. But, notwithstanding all these opposing influences, the best interests of nations dictate a policy not at variance, but in unison with the designs of Providence; and they will be led to acknowledge that the soundest principles of economical science are the surest guarantees to their safety and prosperity. The commercial relations of the world are now protected by numerous commercial treaties, and we herein append a list of those in force between the British Empire and foreign States, with the dates of the same, distinguishing such as contain the most favoured clause.

Country.	Date.	Reciprocity.	Most favoured nation.
EUROPE.			
Austria	July 3, 1838	Reciprocity.	Most favoured.
Belgium	Oct. 27, 1851	„	Conditional.
Denmark	June 16, 1824	„	
France	Jan. 26, 1826	„	Most favoured.
Frankfort	May 13, 1832	„	
„	Dec. 29, 1835	„	
Greece	Oct. 4, 1837	„	
Hanover	July 22, 1844	„	Most favoured.
Hanse Towns	Sept. 29, 1825	„	
„	Aug. 3, 1841	„	
Mecklenburg-Schwerin	May 1, 1844	...	Most favoured.
Mecklenburg-Strelitz	„	„	„
Netherlands	May 17, 1824	„	Most favoured.
„	Oct. 27, 1837	„	„
„	Mar. 27, 1851	„	
Oldenburg	April 4, 1844	„	Most favoured.
Portugal	July 3, 1842	„	„
Prussia	April 2, 1824	„	
„ Customs Union	Mar. 2, 1841	„	
Roman States	Nov. 17, 1853	„	Most favoured.
Russia	Jan. 12, 1859	„	„
Sardinia	Jan. 23, 1851	„	
„	Feb. 27, 1851	„	„
Sicilies	April 29, 1845	„	„

Country.	Date.	Reciprocity.	Most favoured nation.
Sweden and Norway .	Mar. 18, 1826	Reciprocity.	Most favoured.
Switzerland	Sept. 6, 1855	„	„
Turkey	Jan. 5, 1809	„	„
„	Aug. 16, 1838	„	„
Tuscany	April 5, 1847	„	

ASIA.

China	Oct. 8, 1843	...	„
Japan	Aug. 26, 1858	...	„
Siam	June 20, 1826	...	„
„	April 18, 1855	...	„
„	May 13, 1856	...	„
Persia	Mar. 4, 1857	...	„

AFRICA.

Abyssinia	Nov. 2, 1849	„	„
Liberia	Nov. 21, 1848	„	„
Morocco	Dec. 9, 1856	„	„
Muscat	May 18, 1839	...	„

AMERICA.

Buenos Ayres	Feb. 2, 1825	„	„
Bolivia	Sept. 29, 1840	„	„
Chili	Oct. 4, 1851	„	„
Costa Rica	Nov. 27, 1849	„	„
Dominica	Mar. 6, 1850	„	„
Equator	May 3, 1851	„	„
Guatemala	Feb. 20, 1849	„	„
Honduras	Aug. 27, 1856	„	„
Mexico	Dec. 26, 1826	„	„
New Granada	April 18, 1825	„	„
Paraguay	Mar. 4, 1853	„	„
Peru	April 10, 1850	„	„
Uruguay	April 26, 1842	„	„
United States	July 3, 1815	„	„
„	Oct. 23, 1818	„	„
„	Aug. 6, 1827	„	„
„	June 5, 1824	„	„
Venezuela	Nov. 7, 1825	„	
„	Oct. 20, 1834	„	

CHAPTER VIII.

CUSTOMS.

FIRST among the taxes imposed on commerce are the Customs. As early as in the reign of Ethelred tolls were ordered to be paid by vessels arriving with wine or fish. Such tolls or duties were denominated *custuma*; and they were divided into *custuma antiqua sive magna*, including export duties on wool, sheep-skins, and leather; and *custuma parva et nova*, or duties expressly charged on aliens only. Besides these, other customs were imposed in the shape of tonnage, or a duty upon all wine imported, and poundage or *ad-valorem* duty upon all merchandize. But the amount thus raised was small. In the year 1400 the Customs produced, or rather were let for, the trifling sum of 800*l.*; and, as late as in the middle of the seventeenth century, they had reached a yearly average of only 50,000*l.* Not only the amount thus collected was small, but the mode of collecting it was most disadvantageous to the country. The practice was to farm out, or to let or sell the right of levying such dues to some enterprising merchant, some royal favourite, for a specific annual sum. Occasionally this privilege was bestowed as a recompence and as a repayment of a loan offered to the King in his

emergencies ; and, not unfrequently, these farmers of the revenue were foreigners, Genoese, Florentines, or Lucchesi. The Bardi of Florence farmed the entire Customs of England, in the year 1329, for 20*l.* a day, Sunday excepted. In the reign of Elizabeth, Sir Thomas Smith, Secretary of State, rented them for annual sums varying from 14,000*l.* to 50,000*l.* This pernicious practice, however, could not last. As the commerce of the country increased in extent, and the mercantile classes acquired strength and influence, the exactions and vexation of these farmers, who naturally cared for little but the amount of security of their receipts, became more and more oppressive and intolerable ; and the discontent of importers combined with the increased intelligence of financiers to put an end to a system so unprofitable and so mischievous. In 1671, accordingly, the Customs were definitively taken out of farm, and their collection was transferred to a Board of Commissioners, in whose hands it has ever since remained. The Customs became thus early an important source of revenue, and with the increased exigencies of British finance, and under the most gross misconception of our best interests, no limits seemed to exist in the imposition of such taxes. Every article imported, and many of those exported, were charged with high duties. Every commodity, and every object of comfort and luxury, was to pay a liberal contribution to the State before it reached the consumer, and our tariff exhibited a most voluminous load of unjust and oppressive burdens. Thus matters continued for a considerable period, till at last, thanks

to the enlightened government of Mr. Huskisson, Sir Robert Peel, and Lord John Russell—and thanks to the arduous and intelligent labours of Cobden, Bright, and other leaders of the Anti-Corn-Law League—the principle of protection was formally abandoned and disowned, and a considerable diminution was made in the number of articles subject to Customs. Just two hundred years ago these numbered 1630. In 1787 they were reduced to 1425; in 1826, to 1280; in 1841, to 1052; in 1849, to 515; in 1853, to 466. On this latter occasion the principles which should regulate this portion of the revenue were perspicuously enunciated by Mr. Gladstone, then, as now, Chancellor of the Exchequer; and, as such principles have been ever since acted on, it may be useful to refer to them here. ‘In proceeding,’ he said, ‘to consider more generally the state of our tariff, we have been desirous to carry into effect something like a new revision of taxes, and to apply to it, wherever our means would permit, the following rules:—First, to abolish altogether the duties which are unproductive, except in cases where there may be some special reason to retain them on account of their relation to other articles; and, in the next place, to abolish, as far as considerations of revenue will permit, duties on articles of manufacture, except such as are in the last stage as finished articles, and are commonly connected with hand labour; in regard to which cases we have thought it more prudent and proper to proceed in the mode, not of abolition, but of reduction. In these cases we have endeavoured to fix the duties in such a way that, as a general rule, they

should not stand, as to any class of goods (except silk), higher than 10 per cent. on their value.

‘ We desire, further, whenever it can be done, to take the mode of substituting rated duties for duties *ad valorem*, and to get rid in every case, except in a few instances, where it is important on account of revenue, of the 5 per cent. addition to the Customs duties made in 1840, which, besides raising duties, greatly complicates the transactions of business.

‘ We propose, in many instances, where there are at present differential duties in favour of British possessions, to merge those differential duties altogether by lowering the foreign article to the level of the colonial; but where we are not able to lower the foreign article to the level of the colonial, we have not thought it would be considerate in any case to raise the duty on the colonial article.

‘ Lastly, we have been desirous to lower the duties that press on foreign articles of food which enter largely, if not into the necessities of life, at any rate into what may be called the luxuries and comforts of the mass of the people.’

Further improvements were subsequently made in the Customs revenue, yet it continued to exhibit many features decidedly objectionable. Of 25,000,000*l.*, the produce of the revenue for the year ending 31st March, 1859, upwards of 23,000,000*l.*, or 86 per cent., were contributed by twenty articles, and the remaining 14 per cent. by nigh 400 articles, many of which produced less than 100*l.*, whilst we continued to tax some raw materials and to levy protective duties, however moderate, on manu-

factured articles. Such a state of things was most injurious to commerce, and was opposed to the principles of commercial freedom which we have long adopted as the basis of our economical legislation. A great change has, however, just been effected, and by another turning of the magic wand the British tariff will only retain nineteen articles subject to import duties. Henceforth our Customs barriers will only be maintained for purposes of revenue; and, as far as practicable, our commercial legislation is being placed in unison with the soundest principles of political economy..

The net produce of Customs duties for the year ending the 31st December, 1859, was as follows :—

Sugar and molasses	£6,103,085
Tea	5,406,111
Tobacco and snuff	5,552,347
Wine	1,842,137
Spirits, rum, and brandy	2,439,370
Corn	527,545
Coffee	429,339
Wood	611,263
Currants	379,264
Raisins	151,126
Butter	104,420
Silk manufactures	307,246
Pepper	111,191
Other articles	739,880
<hr/>	
	£24,704,324

The cost of the Customs department for the year 1859 amounted to about 850,000*l.*, which, in a gross receipt of 24,700,000*l.*, was at the rate of 3*l.* 8*s.* per cent. Some savings may be anticipated in the collection of Customs in consequence of the abolition of

duties on so many articles; yet it must be remembered that in late years the Customs establishment has been charged with extraneous duties connected with the admeasurement of tonnage, the registration of ships, the collection of light dues, &c. Her Majesty's Commissioners of Customs, in their report for 1858, said, 'The unrivalled elasticity and rapid expansion of the commerce of the country furnish grounds for the warmest congratulations, mingled with some national pride; but while rejoicing year after year in these indications of enduring and increasing prosperity, we must neither forget nor grudge that additional labour and expense which this very prosperity unavoidably entails upon the revenue department, and upon this department in particular. Nearly every commercial transaction has to be supervised and taken cognizance of by the officers of Customs; every item of every cargo discharged or despatched has to be examined and recorded by them with greater or less particularity; every operation carried on in the vast and numerous bonded warehouses scattered up and down the country is vigilantly watched and scrupulously noted, if not actually performed by them; and every fresh wharf privileged, as well as every fresh warehouse approved, involves either the appointment of new superintending officers or an increase of labour to existing ones; while the clerical work performed in the central offices to which are entrusted the preparation and examination of the accounts of the country, whether monetary or statistical, must obviously increase *pari passu* with the transactions to be recorded and the receipts and payments to be controlled.'

CHAPTER IX.

TAXES ON NECESSARIES.

WHILST it seems expedient to retain Customs duties for purposes of revenue upon those articles which are most extensively consumed by the people, we are not ignoring the great fact that such taxes enhance the cost of the article, first, to the extent of the duty itself; second, in consequence of the expense and inconvenience which the dealer suffers by the disbursement of the duty; and, third, on account of the discouraging effects of such duties upon the importation of the article. This enhancement of the cost limits the consumption of articles which are of primary necessity to the welfare of the people, and so far it is a great injury. We must remember that it is the bounden duty of the State not to diminish materially the comforts of the community. The mind which is constantly exposed to the anxieties and dangers of trade, or which labours in close and abstruse researches, and the brawny arms which bear the burden of daily occupation and hard toil, need the support of comfortable food and raiment. To deprive a man, or even to stint him of such, is to destroy his ability and power for work, and so to paralyse the resources of the community. Whilst, therefore, we may allow that the finances of the nation render it indispensable to impose such

taxes, we must take care that they may prove as light as possible. Moreover, any material decrease in the consumption of such articles is injurious to the revenue itself. It is an established fact, as regards the revenue from articles of general use, that the higher the rate of duty, the less is the produce. In no instance is an increase of duty followed by an equal increase of revenue, but, on the contrary, the duty will be less and less, according as the duty advances, until there is no increase of the revenue, but a falling off. And let us not ignore the immediate connexion between such duties and the general trading of the country. Just in proportion as an increased cost lessens the consumption of any article and diminishes the demand, so our imports are smaller and our exports of British manufactures and produce decrease. A chain of natural events does, in fact, bind together the lowering of prices of provisions with the expansion of the sources of employment, the foundation of national wealth.

We shall now examine the operation of the duties on sugar, tea, coffee, and other necessaries, and we shall find—1st, that a diminution in the rate of Customs duties on articles of universal use has been generally attended by a corresponding increase of consumption ; and, conversely, that any increase in the rate of duties has been generally followed by a decrease of consumption : 2nd, that low rates of duties are most profitable to the revenue, by promoting an increase of consumption, and reducing and abolishing smuggling ; and, conversely, that an increase on the rate of duties did not produce a proportionate increase in the revenue :

and, 3rd, that the lower the rates of duties and the greater the consumption, the more extended has become our trade with the producing countries.

SECTION I.

SUGAR.

SUGAR is the most productive article in the Customs revenue. We prefer drinking our tea and coffee moderately sweet, and as the consumption of these is very large, that of sugar is also great. There are consumed in the United Kingdom 9 lbs. of sugar for 1 lb. of tea and coffee. In France the proportion is $9\frac{2}{3}$ lbs. for 1 lb. of coffee; but the Belgians generally taking their coffee without sugar, consume little more than 2 lbs. of sugar for 1 lb. of coffee. The entire consumption of sugar in the United Kingdom, at present, is upwards of 1,000,000,000 lbs., or about 34 lbs. per head ; but it is not equally distributed in the different parts of the kingdom. In 1856 the consumption in England per head was 34 lbs., in Scotland 31 lbs., and in Ireland only $8\frac{1}{2}$ lbs.; at least, such was the quantity on which duty was paid in the respective countries. As compared with foreign countries, our consumption of sugar is very large. Whilst in the United Kingdom it is 34 lbs. per head, in France it is $11\frac{1}{3}$ lbs. per head, in Belgium 21 lbs., in the German States $7\frac{3}{4}$ lbs., and in Russia 2 lbs.

We shall now endeavour to examine the relation of the sugar duties to the consumption, to the revenue, and to the trade with the sugar-producing countries.

The sugar duties have been subjected to considerable changes at different periods, in consequence of the clamour of the colonial interest for protection and encouragement, and of the policy pursued by the British Government in relation to slave-grown sugar. At the commencement of the nineteenth century, the duty on British West India sugar was 1*l.* per cwt., on East India and Mauritius 3*s.* 2*d.* per cwt. and 42*l.* 16*s.* 3*d.* per cent. *ad valorem*; and on foreign sugar, 1*l.* 14*s.* per cwt. At these rates the consumption of sugar in the United Kingdom amounted to about 2,800,000 cwts. or 18 lbs. per head. The enthusiastic adoption of an anti-slave-trade policy led to the adoption of such measures as might discourage such an unlawful industry, and with a view to exclude from the British market slave-grown sugar, the duty on foreign sugar was raised, in 1803, to 2*l.* 4*s.* 9 $\frac{3}{4}$ *d.* per cwt., and in 1824, to 2*l.* 3*s.* per cwt. These high duties restricted materially the supplies of sugar, and kept the average consumption extremely low. The importation, down to 1834, never exceeded 3,900,000 cwts., and the consumption per head was no more than 17 lbs. In 1846 the first step was taken to remove the prohibition by reducing the duties on foreign sugar to 1*l.* 4*s.* 6*d.* per cwt. for white clayed, if imported direct from the country of growth, and other qualities in certain proportions. This measure was attended by an immediate increase in the consumption to 22 lbs. per head. In 1848 Lord John Russell intro-

duced his scheme for the abolition of all differential duties, and provided for the ultimate reduction of duties on all sugar to 10s. per cwt. As the reduction proceeded, the consumption further extended to 34 lbs. per head. The reduction of duties was, however, suspended in 1855, in consequence of the Russian war ; and this, together with a considerable rise in the price of sugar, led to an immediate decline in the consumption to 28 lbs. So great, however, has been the prosperity of the people, during these recent years, resulting from a succession of good harvests, abundant labour, and active commerce, and so largely has the consumption of tea and coffee increased, that, with a fall in the price, the consumption not only recovered itself, but now exceeds 34 lbs. per head.

The revenue has in the same manner increased considerably, notwithstanding the great reduction of duties. For the entire period from 1800 to 1845, when colonial sugar was charged 30s. per cwt. and foreign sugar 60s. per cwt., the revenue continued at about 4,500,000*l.* per annum. In 1845, with the lowering of duties on colonial sugar to 10s. and 14s., and foreign free-labour sugar to 28s. and 20s., the revenue fell to 3,500,000*l.* showing a grievous loss of 1,600,000*l.* from the preceding year. But from this point it soon recovered itself, till in 1848 the amount again reached the average of 4,500,000*l.* Then a further reduction of duty took place, and foreign sugar, whether slave or free-labour, was admitted at the same duty. Another temporary loss was again experienced, the revenue falling to 3,900,000*l.*; but from that point it rose rapidly, till in

1859 it reached 5,900,000*l.* A comparison of duties and revenue in 1818 and 1858 shows a remarkable contrast. In 1818, with 30*s.* on British West India sugar, 40*s.* on East India sugar, and 63*s.* on foreign sugar, the revenue was 2,700,000*l.* In 1858, with an average rate of duty of 14*s.*, the revenue was 6,000,000*l.*

The effects of such reduction of duties upon trade are not less extraordinary. With an increase in the importation of sugar from an average of 4,500,000 cwts. to 9,000,000 cwts. per annum, the value of which amounted to 12,000,000*l.*, we have an immensely increased amount of transactions both at home and abroad in the article itself. But the sugar trade is not limited to the quantity consumed in this country. A very large portion of the entire quantity of sugar produced in the colonies which supply the markets of the world passes through the hands of our sugar merchants; and these transactions have been more than doubled by the facilities offered in the British market, which induce a greater number of cargoes to call first at a British port. Besides this increased trading in sugar, the value of which it would be difficult to estimate, there has been a considerable increase in the value of exports to the producing countries. If we compare the quantity of sugar imported from such countries and the British produce and manufactures exported to them since 1845, we shall find that, with the exception of the British West Indies, the increase has been constant and parallel.

The prospects of the sugar revenue are exceedingly

hopeful, leading us to anticipate, at the present rates, a revenue of 7,000,000*l.* to 8,000,000*l.* The principal causes which have led to the immense increase of consumption already experienced are all in full operation, and there is every reason to expect that, with the further expansion of general prosperity, we shall have a largely-increased consumption, and a yearly improving revenue. We might have desired the realization of the contemplated reduction of the sugar duties to the fixed limit of 10*s.*; but the wants of the revenue have not yet permitted it, and it does not appear that the present limits are too high to interfere materially with the consumption. We append a table showing the quantity of sugar consumed at different periods, the revenue derived therefrom, and the relation of such to the population.

Years.	Quantity of sugar annually consumed in the United Kingdom	Net reve- nue arising from sugar after the deduction of draw- backs and bounties.	Average rate of duty per cent. paid by the consumer.	Average price per cwt. in bond.	Average price per cwt. inclusive of duty.	Popula- tion of the United Kingdom.	Average quantity con- sumed by each individ- ual of population.	Average revenue paid by each individual.
1801—1804	cwts. 2,847,519	£ 3,362,702	s. 26 d. 2	s. 48 d. 1	s. 74 d. 3	17,256,000	lbs. oz. 18 7	s. d. 3 10
1815—1819	2,854,638	3,649,787	29 2	50 3	79 5	19,765,000	16 3	3 8
1820—1824	3,385,700	4,244,899	27 4	32 11	60 3	21,335,000	17 12	3 11
1825—1829	3,657,745	4,735,315	27 4	33 0	60 4	22,903,000	17 14	4 1
1830—1834	3,941,653	4,557,219	24 6	27 1	51 7	24,328,000	18 2	3 9
1835—1839	3,903,260	4,565,311	24 1	36 4	60 5	25,653,000	17 1	3 7
1840—1844	3,935,712	4,943,574	25 2	38 7	63 9	27,023,000	16 5	3 7
1845—1849	5,614,057	4,009,199	14 6	28 5	42 11	27,929,000	22 8	2 11
1850—1854	7,154,461	4,116,566	11 6	23 11	35 5	27,595,000	29 1	2 11
1855—1859	7,800,000	5,500,000	14 0	31 0	45 0	28,500,000	31 0	3 6
1859	9,000,000	6,000,000	14 0	...	...	29,000,000	34 0	4 1
1860—1864	10,000,000	7,000,000	...	...	...	30,000,000	38 0	
1865—1869	12,000,000	8,000,000	...	...	...	32,000,000	40 0	

SECTION II.

TEA.

THE consumption of tea in Europe is of comparatively recent date. The article was quite unknown to the Greeks and Romans, and it was not introduced into Britain till about the end of the sixteenth or the beginning of the seventeenth century. Yet, in a short period in the life of a nation, we find it so identified with our customs and habits as to become almost indispensable, both to the noble and the peasant. No article of food could be more popular among the working and poorer classes especially, than tea and sugar. They are indeed, with them, next to bread, the prime necessities of life. In the various parts of England, those whose wages range from 8*s.* to 12*s.* a week almost live upon bread and tea, and the women especially take it at all meals. In Wales, tea is said to be equally a great necessary in the poor man's cottage; and from Scotland the reports are, that rich and poor use it most liberally. Many of the working classes use tea three times a day; and, among the working females, tea and sugar constitute the chief articles of their diet. In Ireland, tea and sugar are consumed even by the poorest, although they thereby deprive themselves of more nourishing food; and in the south of Ireland, among the agricultural population, those who cannot afford to use these articles for general diet,

purchase small quantities, about six pennyworth, at Christmas, and other holiday times. Such is the universal testimony as to the value attached to tea in the United Kingdom.

But tea has been early the subject of heavy taxation. During the reign of Charles II. tea was placed under the Excise law, and a duty was charged of 8*d.* for every gallon of tea made and sold—a duty which was afterwards changed into a Custom duty of 5*s.* per lb. We shall not examine the influence of the tea duties in retarding the general use of this useful beverage. For a lengthened period after the first importation of the article, tea continued an article of pure luxury, in which only the wealthier classes could indulge. We shall rather enter at once on the fluctuation of the duty during the present century. In the first decennium we had a population of 16,000,000, consuming about 24,000,000 lbs. of tea; that is, 1 lb. 8 oz. per head, the average rate of duty being 1*s.* 7*d.* per lb. Immediately after a great increase was made in the tea duty, from 1*s.* 7*d.* to 3*s.* per lb., and an effectual stop was put to any increase in the consumption. For twenty years the consumption of tea continued stationary, to about 25,000,000 lbs., notwithstanding the increase of population; so that the consumption per head actually decreased from 1 lb. 8 oz. in 1801-1804, to 1 lb. 4 oz. in 1820-1824. The monopoly prices set upon the article by the East India Company, together with the exorbitant rate of duty, contributed to put tea beyond the reach of the great mass of the population. With the abolition of the Com-

pany's monopoly some reduction was made in the duty, and the consumption increased to about 36,000,000 lbs.; and, since then, the continuous diminution of the price of tea in bond, and the progressive reduction of duty, gave a wonderful impetus to the consumption, till it has reached 76,000,000 lbs. The consumption of tea in the United Kingdom now averages 2 lbs. 6 oz. per head for the whole population; but it is not alike distributed in England, Ireland, and Scotland. In 1856 the consumption of tea in England was $2\frac{1}{2}$ lbs. per head; in Scotland 2 lbs. 3 oz.; and in Ireland only 1 lb. 7 oz. The consumption of tea in Ireland is, however, advancing much more rapidly than in England or Scotland. Since 1841 the relative proportion of increase has been 37 per cent. in England, 94 per cent. in Scotland, and 230 per cent. in Ireland. The effects of the tea duty on the revenue are not so apparent, in consequence of the reduction of prices which has taken place upon the abolition of the monopoly in the China trade. In 1809 the duty was 3s. 5d. per lb., and the price in bond also 3s. 5d., making the average price to the consumer 6s. 10d. per lb. From that point constant reductions have taken place in both prices and duties, producing an immense increase in the consumption and a corresponding increase in the revenue. With 1s. 1d. per lb. duty in 1801, the amount of revenue was 1,400,000*l.* During the entire period of the war with France, down to 1805, when the duty ranged from 2s. 9d. to 3s. 5d. per lb., the amount averaged 3,600,000*l.* From 1826 to 1852, when the

duty was lowered to an average rate of 2*s.* 2*d.* per lb., the revenue showed a continual increase from 3,800,000*l.* to 6,000,000*l.*; with an average for the period, however, of no more than 4,200,000*l.* In 1853 the first reduction was made towards present limits, and the amount of duty has now reached upwards of 5,600,000*l.*

Our commerce with China, whence tea is almost exclusively imported, was, till the year 1831, monopolized by the East India Company. In 1841, immediately before the Chinese war, we imported from China 28,000,000 lbs. of tea, and 277,000 lbs. of silk; but since that period the importation of these articles has greatly augmented, and in 1859 we imported 60,000,000 lbs. of tea, and nigh 7,000,000 lbs. of silk, representing a total value of imports of 11,500,000*l.* Our exports to China, however, have not increased in the same proportion, and they little exceed 2,000,000*l.* What are the hindrances to an extensive trade with China, an empire of 300,000,000 of inhabitants? Partly the difficulty on the part of England to manufacture such articles of wearing apparel as are adapted to Chinese habits and customs, though there can be no insuperable difficulties, surely, to manufacture blue cotton breeches, or quilted silk for their tunics; but also, and perhaps much more, the Customs duties which are charged, both in China and in Britain, on each other's produce. The revenue from tea may be expected to increase considerably, so long as the present limits are maintained; and, as will be seen from the following table, should the finances of the nation admit the realization of the reduction to 1*s.*

per lb., the increase of consumption which is certain to follow will cause the revenue speedily to recover, if not to exceed, the present amount.

Years.	Quantity of tea annually consumed in the United Kingdom.	Amount of duty received.	Average rate of duty per lb. paid by the consumer.	Average price per lb. in bond.	Average price per lb. inclusive of duty.	Popula- tion of the United Kingdom.	Average quantity con- sumed by each individ- ual of the population.	Average revenue paid by each individual.
	lbs.	£	s. d.	s. d.	s. d.	lbs. oz.	s. d.	
1801—1804	24,016,235	1,896,235	1 7	3 0	4 7	16,093,000	1 8	2 4
1805—1809	23,325,495	3,560,274	3 0	3 3 1/2	6 4	17,147,000	1 6	4 2
1810—1814	24,204,940	3,791,983	3 1 1/2	3 4 1/2	6 6	18,295,000	1 5	4 0
1815—1819	24,997,373	3,682,890	3 1 1/2	2 0 1/2	5 10 1/2	19,765,000	1 4	3 9
1820—1824	26,956,571	3,784,906	2 9	2 10	5 7 1/2	21,335,000	1 4	3 6
1825—1829	29,402,033	3,649,044	2 5 1/2	2 5 1/2	4 11 1/2	22,903,000	1 5	3 2
1830—1834	31,678,328	3,455,064	2 2 1/2	2 2 1/2	4 4 1/2	24,328,000	1 5	2 11
1835—1839	30,764,065	3,750,328	2 0 1/2	1 8	3 8 1/2	25,653,000	1 7	2 11
1840—1844	37,588,274	4,093,465	2 2 1/2	1 10 1/2	4 0 3/4	27,023,000	1 6	3 2
1845—1849	47,200,093	5,162,563	2 2 1/2	1 1	3 3 1/2	27,929,000	1 11	3 8
1850—1854	50,124,305	5,589,140	2 0	1 2 1/2	3 2 1/2	27,595,000	2 1	4 3
1855—1859	69,000,000	5,300,000	1 6	1 5	2 11	28,500,000	2 8	3 8
1859	76,000,000	5,400,000	1 4	...	...	29,000,000		
1860—1864	82,000,000	6,000,000	1 4	...	...	30,000,000	2 12	
1865—1869	96,000,000	6,000,000	1 0	...	...	32,000,000	3 0	

SECTION III.

COFFEE.

COFFEE was first introduced into Arabia from Abyssinia in the middle of the fifteenth century. For a considerable time the use of coffee was confined to the Mahomedan nations of Western Asia, and from Turkey it found its way to Europe. The production of coffee is now estimated at 730,000,000 lbs.: 360,000,000 lbs. in Brazil, 139,000,000 lbs. in Java, 56,000,000 lbs. in Ceylon, 45,000,000 lbs. in Costa Rica,

45,000,000 lbs. in St. Domingo, 35,000,000 lbs. in Cuba, 26,000,000 lbs. in Mocha, 17,000,000 lbs. in the West Indies, and 7,000,000 lbs. in Sumatra. Although the use of coffee began somewhat earlier than that of tea, the latter article has greatly exceeded the former in popularity in the United Kingdom.

Like tea, coffee was first subject to an Excise duty of 4*d.* for every gallon made and sold, but that duty was soon changed into a Customs duty of 2*s.* per lb. At the commencement of the nineteenth century a distinction was made in the duty between coffee of British possessions in America, East India coffee, and foreign coffee, British American coffee paying 1*s.* 5*d.* to 2*s.* per lb., East India coffee 2*s.* 7*d.* per lb., and foreign coffee 3*s.*; but the consumption was then only 1,000,000 lbs. A considerable reduction in the duties was made in 1808, and the consumption increased to 8,000,000 lbs. In 1825 the duties were further reduced to 6*d.* per lb. on coffee of British possessions, 9*d.* on East India coffee, and 1*s.* 3*d.* per lb. on foreign coffee; and the consumption increased to 15,000,000 lbs. After progressive alterations the duties were assimilated and reduced in 1851 to 3*d.* per lb. on coffee of whatever growth, and whencesoever imported. The effect of such reduction was to increase the consumption to 35,000,000 lbs. Owing to the war with Russia, the duty was temporarily increased in 1856 to 4*d.*, but in 1857 it was once more restored to the rate of 3*d.* per lb.

And how has the revenue from coffee fared whilst these diminutions in the duties were effected? At the

commencement of this century the average consumption per head was only 1 oz., and the revenue 100,000*l.* The consumption was 6 ozs. per head from 1810 to 1825, and the revenue increased to 300,000*l.* From 1825 to 1845 the consumption increased to 1 lb. per head, and the revenue increased to 600,000*l.*; and from 1845 to 1859 the consumption still increased to 1 lb. 4 ozs. per head, and the revenue, notwithstanding the great reduction of duty, averaged about 500,000*l.* The average consumption per head in the United Kingdom is 1 lb. 4 ozs.; but, as in the case of tea, the consumption of coffee differs materially in England, Scotland, and Ireland. Whilst in England the consumption is 1 lb. 12 ozs. per head, in Scotland it is 7 ozs. per head, and in Ireland 2 ozs. per head only.

SECTION IV.

COMPARATIVE CONSUMPTION OF SUGAR, TEA, AND COFFEE IN DIFFERENT COUNTRIES.

A COMPARISON of the consumption of sugar, tea, and coffee, and of the duties charged upon them in this and other countries, will aid us in forming an estimate of the prospects of the revenue from these articles. We have already seen how large is the consumption of sugar in this country, that it is three times greater than in France, five times more than in Germany, and nearly

thirty times larger than in Russia. These calculations are, however, somewhat uncertain, inasmuch as no accurate account can be obtained of the quantities of beet-root sugar produced and consumed in Continental countries. The consumption of tea and coffee may be compared with greater precision ; and here also we find the greatest difference. Whilst in the United Kingdom we consume $2\frac{1}{2}$ lbs. of tea for every $1\frac{1}{4}$ lb. of coffee, in France, in the German States, Belgium, and the United States of America coffee is in the ascendancy. The ratio of consumption per head of these two articles exhibits a singular contrast. Of tea the United Kingdom consumes $2\frac{1}{2}$ lbs. per head, Russia 0.20, the German States 0.011, Belgium 0.02, France 0.089, and Austria 0.0013. Of coffee, on the other hand, Belgium consumes 9.40 lbs., the German States 3.14 lbs., the United Kingdom 1.24 lbs., France 1.03 lbs., Austria 0.59 lbs., and Russia 0.12 lbs. per head ; and, taking the two together, we shall find that Belgium consumes three times as much per head as the United Kingdom, that the United States consume double the quantity, that the German States consume nearly as much as ourselves, France and other countries remaining far behind.

Yet it must be remembered that 1 lb. of tea is equal in value and in use to 3 lbs. of coffee. If so considered, our consumption will be found in excess of that of other countries. Upon a comparison of the duties charged on tea and coffee, in this and other countries, we find that in the United Kingdom we charge a duty on tea considerably higher than is charged in France,

in Austria, and in Belgium ; but that the sugar duties are not much higher in this country than in Russia and France, though they are double that of Austria and the German States.

abolished June 1. 1869

SECTION V.

TAXES ON GRAIN AND OTHER NECESSARIES.

CORN is the article on which the great battle of free trade was fought and won. In that contest all that influence, witticism, argument, and ingenuity could accomplish was on either side used with the greatest skill ; until, at last, the inevitable necessities produced by bad harvests, and the failure of the potato crop, have led to the adoption of a sound system of commercial policy, and eventually to the application of the same economical principles to the trade of the empire. Without pursuing the well-known history of the corn laws, it may be sufficient to state that, at their final settlement, a duty of 1*s.* per quarter was imposed upon all grain, and $4\frac{1}{2}d.$ per cwt. on meal ; duties scarcely perceptible on the price of grain, and yet producing a moderate sum to the revenue. No further changes are contemplated in these duties, and the amount of revenue will hereafter depend on the extent of our want of foreign grain to supplement our home produce.

It is interesting to find that the present duty of one

shilling per quarter on corn produces an amount of revenue fully equal to that obtained under sliding scales and prohibitory duties. From 1830 to 1839 the average amount of revenue from corn, grain, and meal was 4,000,000*l.* From 1840 to 1849 it amounted to 700,000*l.*, and from 1850 to 1859, 50,000,000*l.* But, whilst from 1840 to 1847 the average importation was 3,000,000 quarters, from 1848 to 1859 the average importation has been 9,000,000 quarters. The amount of revenue in late years has been pretty uniform at about 500,000*l.*, and we may anticipate a similar amount for the future.

Other articles of sufficient importance to the welfare of the population have now been set duty free; such as butter, cheese, eggs, rice, pepper, cocoa, ginger, sago, clover, &c., from which collectively a revenue of 400,000*l.* was received in 1859. These articles belong to the category of necessities of life, the supply of which should not be restricted by fiscal regulations.

Fruits are doubtless rather articles of luxury than necessities, and they may, therefore, advantageously be taxed for revenue purposes; yet it is important that the rate of duty should not be sufficiently high to interfere materially with the consumption. The close connexion of the United Kingdom with the Ionian Islands is, moreover, favourable to an extended trade in dry fruits, and Great Britain is described as the currant market of the world. But whilst our tax on currants was so much higher than that imposed by any other country, we were in danger of losing our trade. Till the recent change, the rate of duty on currants in

the United Kingdom was $15l. 15s.$ per ton, whilst in Austria and in the States of the Zollverein it was $11l.$; in Russia, $4l.$; in the United States, $3l.$; in Holland, $1l. 16s. 8d.$; and in France only $5s.$ per ton. We are glad that such an anomaly is now removed, and that our duties have been considerably lowered.

CHAPTER X.

TAXES ON BEVERAGES.

SECTION I.

WINE.

A GRACIOUS Providence has evidently designed wine as an article for general use and comfort, but a capricious legislation reduced it to a superfluity and a luxury. No one who has visited the wine-growing countries of the Continent can fail to have been surprised at the vast portion of land dedicated to the culture of vines, and at the immense crops often obtained. Yet how little wine comparatively is consumed in this country. Doubtless there are physical reasons for the contrast between this and other Continental countries. Our colder and damper climate, the harder work our labourers are subject to, the greater amount of in-door occupation, the constant strain of our mental faculties, and also the incapacity of our soil to produce wine, account for much of that preference generally given to spirituous liquors and strong beer ; but we are persuaded that a good deal of our present preference is the result of habit, and that a large number of our population would as readily drink common wine

as any people of the Continent. Let us remember that, as yet, we had no alternative but to resort to spirits and beer. Many of our Teetotallers will say, ‘We have water in abundance;’ but water is not always wholesome, and peopled, as it frequently is, with myriads of insects, we are absolutely driven to other beverages. And to which of them should we resort, more salubrious, more agreeable, and less hurtful than wine? It is only the high price that has hitherto prevented an extension of consumption of the article. Remove this hindrance, and we shall witness as great a metamorphosis in the consumption of wine in Britain as there has been in that of tea, or any other article in parallel circumstances.

The course of legislation on this article is highly instructive, and will best show how effectually we can by artificial means disturb trade and alter national habits. Passing over the famous Methuen treaty, concluded in 1703, by which we bound ourselves to charge $33\frac{1}{2}$ per cent. more on French wines than on wines from Spain and Portugal, we find that in 1794 the duty on French wine was 4s. 6d. per gallon, and on Portuguese wine 3s. During the French war these duties were raised to 19s. 8d. per gallon on French wine, and 8s. 3d. on Portuguese; but, after peace was restored, the duties were reduced in 1825 to 7s. 2d. on French, and 4s. 10d. on Portuguese wines. In 1831 the difference between French and other wines was abolished, and the duties were equalized at 5s. 6d. per gallon on all wines, except Cape wine, which was charged 2s. 10d. per gallon. In 1840 the duty was

fixed at 5*s.* 9*l.* per gallon; and at that rate it remained for a lengthened period, till, in the last session, this duty was reduced to 3*s.* till the 1st January, 1861, and afterwards to 2*s.* and 1*s.* per gallon, according to strength.

The effects of high duties on the consumption of wine are well marked. In 1801 the quantity entered for home consumption was 7,000,000 gallons, which, to a population of about 15,000,000, gave 0·44 gallons per inhabitant. Nigh sixty years have elapsed, our population has just doubled, and yet the consumption is just the same—rather less. How is it? From 1751 to 1790 there were consumed $2\frac{4}{10}$ bottles per individual per annum; now the consumption is little more than one bottle. Had the consumption increased in the same ratio to our population and the means of expenditure, the annual quantity, even at the present high rate of duty, would now be 26,000,000 gallons, giving upwards of 7,000,000*l.* of revenue; instead of which, the consumption is still about 6,000,000 or 7,000,000 gallons, and the produce of the duties short of 2,000,000*l.* Are we to ascribe this diminution of consumption to the high rates of duty, or does it arise from the unpopularity of wine as a common beverage? Sir James Emerson Tennent conceives that the diminution of consumption has arisen, not from increased duties or diminished ability to consume, but from a declining appetite on the part of the people of this country. It is certainly a matter for congratulation that a great change has taken place in the habits of the upper classes, as regards the use of wine and

spirits. The race of ‘six-bottle men’ is extinct. But, although eases of excess may be much lessened, there is no reason to believe that the legitimate use of wine has been abandoned. It is the high duty that has limited the consumption of wines to the finer and dearer qualities, and at their high prices they could only be indulged in by the upper and wealthy classes. Such was the opinion entertained by Mr. Gladstone in 1853, and such is the principle which has governed the last reform in the wine duties. It was not so much as a concession to France that the wine duties have been remitted, but in obedience to those financial laws which have rendered it expedient to alter our course. Long before the treaty of commerce with France was thought of, Mr. Gladstone spoke as follows:—‘ He was not,’ he said, ‘ one of those who thought it impossible or visionary to expect a great extension of taste for and consumption of wine among the people of England ; on the contrary, it appeared to him that the present state of the taste of the people in regard to wine was the natural result of their financial system in that respect. Considering that wine was one of the great gifts of Providence to man, considering what a place it occupied among the means of his subsistence, considering how many useful and wholesome ends it subserved in connexion with his physical temperament, considering the manner in which it might be used as a competing article with alcoholic spirits, he must confess it was most desirable, if it were possible, to make an important change in the duties upon wine. The extension of trade in Europe, the breaking down of a set of virtual mono-

polices in favour of particular districts, the stopping adulterations, and putting down spurious articles brought into demand under colour of a system of high duties; these and other considerations recommended a proposal which should bring about an important change in the wine duties. In fact, he might say he knew no article burdened with a fiscal chain under our financial system with respect to which any stronger reasons for a change could be given. But, most unfortunately, it likewise happened that, strong as were the reasons for alleviation, the difficulties were equally pre-eminent.*

The duties have now been reduced to a proper limit, and we may anticipate the consumption of wines to increase materially. An important question may, however, be suggested, viz., whether and wherefrom we are likely to obtain the largely increased supply of wines. Our present importation consists of about 6,500,000 gallons, of which about 4,500,000 gallons are from Spain and Portugal, 700,000 gallons from the British possessions, principally from South Africa, 600,000 gallons from France, 220,000 gallons from the Two Sicilies, and 600,000 gallons from other countries. Whence shall we derive the additional supplies? From Portugal and Spain, Sir J. Emerson Tennent estimated that we may anticipate about 15,000,000 gallons. But, large as this quantity is as compared with present importation, we believe it to be far below the quantity we are likely to obtain. M. Lumley, her Majesty's Secretary of Legation at Madrid, recently reporting on the

* Speech, April 5, 1853.

capacity of Spain to supply us with wine, said, ‘A proprietor of extensive vineyards at Huesca, in the province of Aragon, assured me that the drought last summer was so great and the vintage so plentiful, that it would have been easier for him to irrigate his vineyards with wine than with water. He also stated that, in order to make room for the new wine, he had on one occasion offered to sell that of a former vintage at two sueldos the cantaro (about 5*l.* English for a little less than four gallons); but, finding that he could not even get one real for the cantaro (about $\frac{1}{2}d.$ English the gallon), and there being a scarcity of earthen wine-jars, he was obliged to throw away the whole of that year’s vintage. It is not, however, the province of Aragon alone that produces such a superabundance of wine; many of the wine districts of Old Castile are equally prolific. At Aranda del Duero, for instance, wine appears to be as cheap and water as dear as at Huesca; and in many places the houses are built with mortar mixed with wine instead of water.’

The production of wine in France is not less than 1,000,000,000 gallons; and of this quantity only 24,000,000 gallons are exported; of which, as we have seen, only 600,000 gallons come to the United Kingdom. M. Michel Chevalier, in a letter to Viscount Chelsea, described many instances of superabundance of wine analogous to those related about Spain. We shall not dwell upon the produce of wine in other countries, which is said to amount to 2,000,000,000 gallons more. We have said enough to establish the fact that, however much our consumption may increase, there is no danger that the supply may come short.

The annexed table shows the consumption of wine, in relation to population, at different periods, and the quantities consumed of different qualities of wine from 1801-1859.

Years.	Quantity consumed.	Population.	Per head.	Revenue.	Revenue per head.
	galls.		galls.	£	s. d.
1801	7,000,000	16,000,000	.44	2,000,000	2 4
1811	6,000,000	18,000,000	.35	2,200,000	2 5
1821	5,000,000	21,000,000	.26	1,800,000	1 9
1831	5,500,000	24,000,000	.27	1,360,000	1 1½
1841	6,200,000	27,000,000	.25	1,700,000	1 3
1851	6,500,000	27,500,000	.23	1,800,000	1 4
1858	6,300,000	29,000,000	.21	1,800,000	1 2
1859	7,400,000	29,000,000	.25	1,900,000	1 3
1860-1864	10,000,000	30,000,000	.40	1,500,000	
1865-1869	18,000,000	32,000,000	.60	2,200,000	

SECTION II.

SPIRITS.

THE excessive use of spirits has been at all times a source of regret and disquietude. Such, indeed, is the physical and moral deterioration accruing from the abuse of alcoholic liquors, and the crimes and wretchedness which it engenders, that we cannot wonder that the Legislature has often been induced to take measures towards the diminution of so great a national evil. Historians tell us, that the population of London, towards the middle of the eighteenth century, was sunk into the most brutal degeneracy by drinking to excess. Gin was sold so cheap that the lowest class of the people could afford to indulge themselves in one continued state of intoxication, to the destruction of all morals,

industry, and order ; and to such a degree had this public profligacy reached, that the retailers of the poisonous compound set up painted boards in public, inviting people ‘ to be drunk at the small expense of one penny, and assuring them that they might be dead drunk for twopence, and have straw for nothing.’ And in the dismal caverns provided for them, these wretches, overwhelmed with intoxication, lay until they recovered some use of their faculties. To put a stop, if possible, to such abuse of sensual indulgence, an act was passed in 1736, the preamble of which stated that the drinking of spirituous liquors or strong water had become very common, especially among people of lower and inferior rank ; that the constant and excessive use of it tends greatly to the destruction of their health, rendering them unfit for useful labour and business ; that it had debauched their morals, and incited them to perpetrate all vices ; and that the ill consequences of the excessive use of such liquors were not confined to the present generation, but extended to future ages, tending to the destruction and ruin of the kingdom. By the act in question a duty of 20s. a gallon was laid on spirits, exclusive of a heavy licence duty on retailers, and everything was done to discourage intemperance ; but the Legislature was evidently in advance of public morals.

A determined opposition was made to the restrictive laws enacted ; smuggling was universally abetted, and the high duties were so generally evaded, that it became necessary to repeal the statute. The introduction of a measure to that effect met, how-

ever, with considerable opposition; and great alarm was felt on opening once more the trade in spirits. On the introduction of the bill, Lord Hervey, the Privy Seal, said, ‘This bill will be productive of murders of all sorts. It will extend its consequences almost as wide as the forbidden fruit, and it will not be a tree of knowledge, but a spring of ignorance. All lawgivers have provided for the health of their people. Moses saw the people inclined to leprosy, and forbade swine’s flesh. So Mahomet, Lycurgus, and Solon. This was the original meaning of *Salus populi suprema lex*. The chief of the wild Indians declared against rum being imported to them, and the colony of Georgia have made a law against it.’ The bill, however, passed into law, and thenceforth the improvement of public morals was entrusted to the operation of time and civilization, rather than to any act of the Legislature.

Some calculations have been made of the sum annually spent in the United Kingdom in British and foreign spirits. It is estimated that the consumer pays for every gallon of spirits used three times the amount of duty; and at this calculation the expenditure for rum will amount to 4,000,000*l.*, for brandy, 3,400,000*l.*, and for British spirits not less than 28,000,000*l.*, making in all 35,000,000*l.* If to this amount we add 30,000,000*l.* spent in beer, and 5,000,000*l.* in wine, we have a grand total spent in wines and spirits of nigh 70,000,000*l.*; a sum exceeding the taxation of the United Kingdom, and amounting to 10 per cent. of the whole income of the country.

Not the least important feature in the question is the

large amount of revenue annually received from wine and spirits. It is said that the Emperor of China proudly rejected every consideration of revenue when urged to admit opium at a duty. There was, indeed, something sublime in his declaration. ‘It is true I cannot prevent the introduction of the flowing poison ; gain-seeking and corrupt men will for profit and sensuality defeat my wishes, but nothing will induce me to derive a revenue from the vice and misery of my people.’ The finances of the United Kingdom do not admit, we fear, of such scruples being entertained. Year by year not less than 20,000,000*l.* are received from taxes on beverages. The wine duty produces about 2,000,000*l.*; rum and brandy, 2,300,000*l.*; British spirits, 9,000,000*l.*; malt, 6,000,000*l.*; hops, 500,000*l.*; or a total of 20,000,000*l.*; and nigh 1,000,000*l.* is raised from licences—brewers, retailers of beer, maltsters, spirit dealers, and wine merchants.

It is exceedingly difficult to determine what course the Legislature should take with regard to the sale of ardent spirits. Some have recommended the total prohibition of the sale of spirits. Others have suggested to make it permissory, by a majority of the votes of the rate-payers in any town, to prohibit the sale of ardent spirits. Dr. Guthrie, an eminent theologian and moralist, urged the Legislature to declare illegal the opening of any place for the mere purpose of drinking intoxicating liquors, and to cause every man or woman, proved before a jury or any other public authority to be a repeated drunkard, to be held as a lunatic and dealt with accordingly. No legislation we can suggest will improve public morals. It is not within

the power of the State to reform the habits and propensities of the people, however much it may second the action of private individuals. A permanent reform can best be attained by increasing the comforts of the labouring classes so as to diminish the craving for strong drink ; by holding forth drunkenness as a vice punishable by law, and by diffusing those high doctrines of religious duty which tend to elevate the character and refine the habits and morals of the people. We can all help in these important efforts. Let it be our object and our pleasure to advance, by our precepts and by our example, the cause of temperance, sobriety, and frugality.

The consumption of colonial and foreign spirits has somewhat diminished during the last fifty years. Of rum, in 1800, there were consumed 3,000,000 gallons, which, with a population of 16,000,000, gave 0.19 gallon per head ; and in 1859, with a population of 29,000,000, the consumption was only 3,600,000 gallons, or 0.12 gallon per head. The consumption of brandy and Geneva shows equal results. In 1800, the consumption was about 2,000,000 gallons, or 0.12 per head. In 1859 the consumption was only 1,300,000 gallons, or 0.04 gallon per head.

The consumption of British spirits, however, has been steadily increasing during the last fifty years. In 1801 the average consumption was 0.20 gallon per head. In 1811 it was 0.72 per head, and in 1821 it had fallen to 0.46. With the diminution of duties, however, in 1826, the consumption rose in 1831 to 0.90 per head. From this limit it partly receded in 1841

to 0·77 gallon per head; but in 1851 it rose again to 0·87, and in 1859 it amounted to 0·80. It must be observed, however, that though the average consumption seems to have largely increased, a great check has been put to the illicit distillation which had previously acquired considerable importance.

The duties on British and foreign spirits have been subject to considerable fluctuations. The duty on brandy and Geneva in 1801 was 16*s.* 1*d.* per gallon: it was afterwards gradually raised to 1*l.* 2*s.* 6*d.* per gallon; at which limit it remained till 1856, when Sir Robert Peel lowered it to 15*s.*; and now the duty has been lowered to 8*s.* 3*d.* per gallon. On British spirits, at the commencement of this century, the duty was, in England, 5*s.* 4½*d.* per gallon; in Scotland, in the Highlands, 6*l.* 16*s.* 4*d.*, and in the Lowlands, 7*l.* 16*s.* 0¾*d.* per gallon of still contents, and in Ireland 2*s.* 4½*d.* per gallon. These duties were raised in 1811 and 1821, but in 1831 a considerable reduction took place in consequence of the increase of illicit distillation. In 1841 the duties were 2*s.* 10*d.* per gallon in England, 5*s.* 8*d.* in Scotland; and 2*s.* 8*d.* in Ireland. In 1855 the duties were assimilated in England and Scotland at 8*s.* and they were raised in Ireland to 6*s.* Subsequently the duty in Ireland was further raised to the same level as in England and Scotland; and thus one uniform rate of 8*s.* per gallon prevails on British spirits in the United Kingdom.

The revenue from spirits is considerable, and its prospects affect materially the finances of the country. With the progress and popularity of the temperance

movement, and with the increasing aversion to strong drink, we might expect that in time the revenue from spirits may suffer considerably; yet drink forms a large part of the diet of the nation, and in all probability the revenue from spirits will for years to come continue to be very productive. The following tables show the quantity of spirits consumed at different periods in proportion to the revenue and the amount of duties respectively received from foreign and colonial as well as from British spirits.

British Spirits—Revenue and Consumption, 1801–1859.

Years.	Number of gallons.	Population.	Per head.	Revenue.	Revenue per head.
			galls.	£	s. d.
1801	3,200,000	16,000,000	.20	720,000	1 0
1811	13,000,000	18,000,000	.12	3,000,000	3 4
1821	13,000,000	21,000,000	.46	4,000,000	3 9
1831	22,000,000	24,000,000	.90	5,000,000	4 2
1841	21,000,000	27,000,000	.77	5,000,000	3 8
1851	24,000,000	27,500,000	.87	6,000,000	4 5
1859	23,200,000	29,000,000	.80	9,000,000	6 2
1860–1864	24,000,000	30,000,000	.80	9,500,000	
1865–1869	22,500,000	32,000,000	.80	9,000,000	

Foreign and Colonial Spirits—Revenue and Consumption, 1801–1859.

Years.	Foreign spirits consumed.	Colonial spirits consumed.	Total.	Population.	Per head.	Revenue.	Revenue per head.
	gallons.	gallons.	gallons.		gals.	£	s. d.
1801	2,500,000	3,100,000	5,600,000	16,000,000	.35	2,700,000	2 6
1811	1,100,000	3,200,000	4,300,000	18,000,000	.23	3,200,000	3 6
1821	1,000,000	3,300,000	4,300,000	21,000,000	.15	2,700,000	2 10
1831	1,300,000	2,600,000	4,900,000	24,000,000	.20	3,000,000	2 6
1841	1,200,000	2,300,000	3,500,000	27,000,000	.12	2,400,000	1 8
1851	1,900,000	2,900,000	4,300,000	27,500,000	.17	2,500,000	1 1
1858	1,100,000	3,400,000	4,500,000	29,000,000	.15	2,300,000	0 9
1859	1,300,000	3,500,000	4,800,000	29,000,000	.15	2,400,000	0 9½
1860–1864	1,500,000	3,000,000	4,500,000	30,000,000	.15	2,500,000	
1865–1869	1,500,000	3,000,000	4,500,000	32,000,000	.15	2,500,000	

SECTION III.

BEER.

THE extensive consumption of grain for distillation has been often the source of great complaint, and in different countries and at different times the distillation of grain and farinaceous substances has been totally prohibited. The malt duty was first imposed in 1697, at the rate of 6*d.* per bushel, and from that epoch it gradually rose till 1804, when, in consequence of the French war, the duty was fixed at 4*s.* 5 $\frac{3}{4}$ *d.* per bushel in England, 3*s.* 9*d.* in Scotland, and 2*s.* 9*d.* in Ireland. In 1817, the war being ended, the war-tax on malt was reduced nearly by half; and after some further oscillations, the uniform rate of 4*s.* was imposed in 1854 in England, Scotland, and Ireland. The agricultural interests have often demanded the abolition of this duty; yet it does not appear that it acts injuriously on agriculture, whilst it seems expedient to retain it for purposes of revenue. The present consumption of malt, amounting to 50,000,000 bushels, gives, with a population of 29,000,000, an average per head of 1 $\frac{1}{2}$ bushels. But of this quantity only 40,000,000 bushels, or 4,200,000 quarters were sold by licensed brewers, victuallers, &c., the remainder being used for exportation and other purposes. Supposing the 4,200,000 quarters to represent the quantity employed in making beer, it will follow that, at the calculation of 3 $\frac{1}{2}$ barrels of beer for each quarter of malt,

and 36 gallons for each barrel, the number of gallons brewed in 1859 could not be less than 530,000,000; which, at the price of 1*s.* 2*d.* per gallon, would give the sum spent in beer at 30,000,000*l.*

The hop duty is also a tax on beer, about 2 lbs. of hops being used in brewing 36 gallons of ordinary beer. There are several kinds of hops produced in England, but they are broadly divided into two classes; namely, those of an inferior description, grown for the most part in the Weald of Kent and Sussex; and others of a superior description, principally raised in Middle and East Kent. The market price of the inferior hops is commonly from 25 to 50 per cent. below that of the superior hops of Middle and East Kent. The collection of the hop duties has often been postponed in consequence of complaints by the hop growers; but such complaints have proceeded from a certain class of growers, viz., those that have not sufficient capital, or who produce hops of coarser and inferior growth, least saleable in an overloaded market. The revenue being based on the quantity grown, the amount differs considerably from year to year, and is dependent on the nature of the crop. The amount of duty may be estimated at 500,000*l.* a year on an average.

The consumption of beer in England is much greater than in Scotland and Ireland. Out of 39,000,000 bushels of malt consumed in 1859, 35,000,000 were consumed in England, 1,500,000 in Scotland, and 2,500,000 in Ireland. Beer forms now an important article of export. In 1841 we exported only 148,000 barrels of beer, of the value of 360,000*l.*; now our

exports amount to 600,000 barrels, of the value of 2,000,000*l.*

The following table indicates the quantity of malt consumed and the revenue derived therefrom since 1801.

Years.	Bushls charged with duty.	Population.	Per head.	Revenue.	Revenue per head.
1801	20,000,000	16,000,000	1.25	1,300,000	1 7
1811	30,000,000	18,000,000	1.64	6,300,000	6 10
1821	29,300,000	21,000,000	1.40	4,300,000	4 1
1831	29,300,000	24,000,000	1.62	5,000,000	4 2
1841	36,000,000	27,000,000	1.35	5,000,000	3 8
1851	40,000,000	27,500,000	1.46	5,000,000	3 7
1858	48,000,000	29,000,000	1.55	5,400,000	3 8
1860-1864	48,000,000	30,000,000	1.65	5,600,000	
1865-1869	52,000,000	32,000,000	1.65	6,000,000	

CHAPTER XI.

TAXES ON TOBACCO.

A NOTHER article of mixed vice and luxury is tobacco. When first introduced from Virginia it created considerable opposition. King James especially had a strong aversion to such a drug, and he did all he could to stop the consumption of the article by prohibiting the production of tobacco at home, and by assuming a monopoly of the quantity imported. A proclamation on the subject was issued in 1620, in which the grounds of such prohibition were distinctly stated, viz., 'That the use of tobacco tended to a general and new corruption, both of men's bodies and manners, and that of the two it was more tolerable that the same should be imported amongst other vanities and superfluities which came from beyond seas, than be permitted to be planted here within the realm, thereby to abuse and misemploy the soil of this fruitful kingdom.' It is sufficiently established that tobacco is an exhaustive crop, yet it is impossible to conceive that that is a sufficient ground for the Legislature to interfere with the method of cultivation.

The present duty of 3s., which has been maintained since 1831, is certainly high in proportion to the price of tobacco; yet the value of snuff and cigars is greatly

enhanced by the manufacture, and a reduction in the duty would not affect materially the price of these articles. Viewed, moreover, in connexion with the morals of the people, it appears inexpedient to offer greater encouragement to the consumption of such a narcotic, allied as it frequently is to drunkenness and other vicious habits.

A considerable sum is spent on tobacco and snuff in the United Kingdom ; a large portion of which is by the working classes. Adopting the calculation made by Mr. Porter on the subject, the cost of tobacco and snuff to the British consumer is no less than 9,000,000*l.* per annum. In the year 1859 the quantity of unmanufactured tobacco retained for home consumption was about 34,500,000 lbs., and of manufactured cigars and snuff, 300,000 lbs. ; yielding altogether a revenue of upwards of 5,600,000*l.*, besides about 70,000*l.* from tobacco licences. The retail price ranges from 4*s.* to 14*s.* per lb.; seventeen-twentieths, or 85 per cent. of the whole, being of the lowest, and only about 2 per cent. being of the highest quality. An addition is also made of other ingredients in the process of manufacture, amounting to 15 per cent. upon the 85 per cent., which consist of cut and shag and roll tobacco ; while the snuff, which comprises 13 out of 15 parts of the remainder, admits of an increased weight to the extent of from 50 to 60 per cent. According to these calculations, the 29,000,000 lbs. shag and roll tobacco become, when increased by 15 per cent., 32,300,000 lbs. The snuff of various kinds, 5,200,000 lbs., become, when increased by 35 per cent. 7,000,000 lbs. The cigars

do not increase in weight, and the manufactured tobacco imported remains as it was. The selling price of tobacco is 4s.; the snuff sells at 6s. 8d., the English-made cigars at 9s., and the foreign manufactures at 12s. per lb.; and if we take these respectively increased quantities at these prices, we have just about 9,000,000*l.* as the amount spent in this article.

The following table shows the progress of consumption and revenue from tobacco during the present century:—

Tobacco—Revenue and Consumption, 1801–1859.

Years.	Quantity consumed.	Population.	Per head.	Revenue.	Revenue per head.
1801	17,000,000	16,000,000	1.06	1,200,000	1 6
1811	21,000,000	18,000,000	1.18	1,250,000	1 4
1821	15,000,000	21,000,000	0.71	3,100,000	2 11
1831	19,500,000	24,000,000	0.81	3,000,000	2 10
1841	22,000,000	27,000,000	0.82	3,500,000	2 7
1851	28,000,000	27,500,000	1.01	4,500,000	3 3
1858	34,000,000	29,000,000	1.17	5,500,000	3 9
1859	35,000,000	29,000,000	1.21	5,500,000	3 9
1860–1864	36,500,000	30,000,000	1.21	6,000,000	
1865–1869	40,000,000	32,000,000	1.21	6,500,000	

CHAPTER XII.

TAXES ON RAW MATERIALS.

THE expediency of abolishing the import duties on raw materials for our industries and manufactures has been universally admitted, and we do not only doubt the wisdom, but wonder at the imbecility of that policy which limited the importation of those articles which are the very foundation of British resources. Sir Henry Parnell, in his Essay on *Financial Reform*, says, ‘As the power of the manufacturing capital of a country to purchase raw materials is in proportion to their cheapness, and as the extent of manufactures is in proportion to the quantity of materials that are purchased, every particle of duty laid on them lessens the amount of industry and of annual productions. It consequently lessens the means of adding to the national capital, because these means consist of the surplus of the annual productions of the country. These taxes have also a very injurious effect in limiting navigation and foreign commerce ; for if there were no such taxes, the increased quantity of foreign materials that would be imported, and of finished goods that would be exported to pay for these materials, would add considerably to both navigation and foreign commerce. With respect to the foreign market for our manufactures, the taxes on ma-

terials produce an evil of the greatest magnitude; for, by increasing the cost of production, they contribute to lessen the means our manufacturers have of carrying on a successful competition with foreign manufacturers. Whatever may be the difference between one country and another, with respect to soil, climate, capital, wages, and machinery, the circumstance which leads to the exportation of manufactures, and makes it profitable, is the advantage in the smallness of the cost of producing them. Every tax, therefore, on materials, by increasing the price of them, adds to the cost of production, and thus lessens the means of carrying on competition with foreigners. In this way it acts as a bounty on foreign manufactures, and therefore is a tax of the most pernicious description.'

The British tariff no longer exhibits the anomaly of such taxes, and our brief review of them is but a record of a misdirected legislation, which may serve as a warning for the future wellbeing of the country.

SECTION I.

WOOL.

Wool has from a very early period been an object of especial protection. With a view to ensure to the manufacturer a monopoly over the woollen fabrics, the exportation of home-grown wool was wholly prohi-

bited from 1660 down to 1825; and, with a view to give a monopoly of the British market to the wool grower, a duty of 5*s.* 3*d.* per cwt. was laid in 1802 on foreign wool. This was raised in 1813 to 6*s.* 8*d.*; and in 1819 Mr. Vansittart raised it to the enormous sum of 56*s.* per cwt. or 6*d.* per lb. In 1825 Mr. Huskisson reduced the duty from 6*d.* to 1*d.* per lb.; and at last Sir Robert Peel abolished all duty on wool in 1844.

The ground for this policy of exclusion appeared quite reasonable. Supposing, as it is, that the long staple or combing wool of England is superior for some manufacturing purposes to that of any other country, why should we let the foreign manufacturer have it? Let them once get our wool, and they will produce better stuffs than we can. But we forgot that this very competition would have the effect of stimulating our manufacturers to apply themselves to the discovery of superior processes whereby we might equal, if not excel, any of the manufacturers of France. And we overlooked the fact that by prohibiting the importation of foreign wool, or, what is the same, by laying a heavy duty upon it, our manufacturers were unable to procure the finer qualities of foreign wool, and so to produce superior cloth.

Let us now see what has been the effect of free trade on wool and woollen manufactures. Previously to 1800, our average imports of wool did not much exceed 3,000,000 lbs.; in 1859 our imports amounted to 131,000,000 lbs.; and whilst in 1799 the official value of the exports of woollen manufactures was only

3,500,000*l.*, in 1859 the declared value amounted to nearly 12,000,000*l.* We need not say that, side by side with this immense increase of the trade of wool and woollen manufactures, the price of English-grown wool has kept as high as ever, and the production is as remunerative now as under the palmy days of protection.

SECTION II.

COTTON.

COTTON was another article liable to duty. It was not, however, imposed for the purpose of protecting our home production, as none of it is raised in this country. We restricted the use of cotton in order to protect our flax and our wool. The duty on cotton continued for a considerable period at 6 per cent. *ad valorem*; but as late as 1831 the duty was raised to 5*s.* 10*d.* per cwt. Two years after it was again reduced to 2*s.* 11*d.* per cwt., and in 1845 it was abolished altogether.

The progress of the cotton manufacture in the United Kingdom is unprecedented. From 1701 to 1764, the date of the first improvement in spinning, the annual import of cotton did not exceed one or two millions of pounds, the greater part of which was consumed in candlewicks, and in 1764, just previous to the invention of Arkwright, the cotton consumed amounted only to 3,870,000 lbs. Immediately after, however, the increase in the consumption has been immense. In 1800

the quantity consumed was 50,000,000 lbs. In 1810 it had reached 120,000,000 lbs. Twenty years after, in 1830, the quantity consumed was doubled to 250,000,000 lbs.; twenty years after, in 1840, again doubled to 588,000,000 lbs.; and in 1859 the quantity reached 1,200,000,000 lbs. The following are the quantities of raw cotton imported into the United Kingdom :—

	1814.	1844.	1859.
	cwts.	cwts.	cwts.
United States of America	106,495	4,618,023	8,586,672
Brazil	203,136	188,257	200,205
British West Indies	158,042	15,243	5,288
West Coast of Africa . . . . .	...	...	2,149
British Possessions, South Africa	...	22	19,697
Mauritius . . . . .	...	7	11,894
British East Indies	25,449	791,427	1,717,240
Egypt . . . . .	...	47,575	336,313
Other countries	45,600	108,297	66,373
	538,722	5,768,851	10,945,831

SECTION III.

TIMBER.

TIMBER is another raw material the duty on which affected the building trade and the shipping interest. The ship is the first implement of British industry, and placed as it is in competition with the whole world, and almost defied by the rapid increase of American shipping, it is all important to diminish as much as possible the charges with which it is burdened. Countries possessing forests in the vicinity of navigable rivers, like British North America and the United States, enjoy great

advantages in that respect over our ship-builders, and to lay a duty upon timber was still further to increase those advantages.

As late as 1806 colonial timber was admitted free of duty, while European timber was subjected to a grievous duty of 65s. per load. In 1821 the duty on European timber was lowered by 10s. per load, and a duty of 10s. per load was imposed on colonial timber. Considerable reductions were made on these rates in 1843 when the differential duties in favour of Canada were abolished. After further alterations in 1847, the timber duties were settled in 1851 at 7s. 6d. per load on squared timber, and 10s. on deals and battens ; and now, by the Customs reforms of Mr. Gladstone, the duty has been further reduced to 2s. per load.

CHAPTER XIII.

TAXES ON FOREIGN MANUFACTURES.

THE primary objects in taxing foreign manufactures are to protect and encourage national industry. But we should remember, first, that all really national industries thrive best without any protection; and, secondly, that the industries of a nation are, like its produce, often indigenous to the soil, and that when out of their natural homes they never obtain a permanent and luxuriant growth. No legislative expedient will overturn this beneficent provision of a wise and gracious Providence; and when new manufactures are introduced in defiance of all natural laws in countries not adapted for their growth, they either speedily die out or continue as permanent sources of public disappointment and national loss. By thus forcing, moreover, such manufactures in an ungenial soil, we deprive ourselves of the use of foreign manufactures, and while we protect the interest of a class, we disregard and positively injure the interests of the nation at large.

SECTION I.

LINEN.

THE linen manufacture has its chief seat principally in Ireland, though England and Scotland abound also in

linen factories. In olden times, in the good old days of government interference, it was thought a very legitimate thing to ask the sovereign to discourage a manufaeture in one place and to promote it in another, quite regardless of the natural capabilities of such countries for their respective manufaetures. Thus in 1698 both Houses of Parliament addressed his Majesty William III., representing that the progress of the woollen manufaeture of Ireland was injurious to England, and that it would be for the public advantage to discourage the same, and to establish the linen manufaeture in its stead. To this bold proposition his Majesty replied, ‘I shall do all that in me lies to discourage the woollen manufaeture in Ireland, and encourage the linen manufaeture, and to promote the trade of England!’ And the promise was fulfilled by a long series of laws restricting, prohibiting, and diverting the trade of the United Kingdom, by awarding premiums and encouragements of various kinds, and granting bounties on the exportation of linen, amounting to nearly one-seventh part of the entire real or declared value of the linen exported.

These measures, however, have long been altogether abandoned, and the British linen manufaeture is thriving without any protection, bounties, or rewards.

The impoliey of such protective duties was well illustrated by the Belfast Chamber of Commerce in their report on the high duties charged in France on foreign linen. It was by them calculated that the French nation paid at least one fifth more for the article of linen than it would have done under even a moderate

system of duty. Estimating the consumption of linen in France at seven yards for each person, the consumption will be 250,000,000 yards per annum, which, at 1*s.* per yard, gives the annual value at 12,500,000*l.* The same fabrie could be produced in Ireland and Scotland at 20 per cent. less, on account of the lower prie of our linen yarns, whieh were exeluded from Franee by prohibitory duties. So that the French nation were paying in this artiele alone upwards of 2,500,000*l.* as a boon to their linen manufacturers. By the new tariff foreign linen manufaetures will pay in Franee an *ad-valorem* duty of 30 per cent. In the United States the duty is 15 per cent. *ad valorem*. In Russia, linen cloth mixed or not mixed with eotton, pays 25 per eent. *ad valorem*. In Holland the duty is only 1 per eent. *ad valorem*. In the kingdom of Sardinia linen grey of less than six threads of warp (within 5 millimetres) pays $\frac{17}{20}$ per lb.

The extent of the linen manufaeture in the United Kingdom may be shown from the faet that in 1856 there were 417 flax factories having 1,288,043 spindles and 7689 power looms ; the manufacture giving employ-
ment to upwards of 380,000 persons. The value of
linen manufactures exported in 1841 was 3,347,555*l.*,
and of linen yarn 972,466*l.* In 1859 the linen manu-
faetures exported amounted to 4,607,245*l.*, and the
linen yarn to 1,684,489*l.*

SECTION II.

WOOLLEN.

THE art of spinning wool was introduced into this country by the Romans, but the manufacture of broad cloth commenced only at the beginning of the thirteenth century. And even for a long time after that period, English wool continued to be exported to Flanders, from whence it came back in the shape of fine cloth, in the same manner as the Americans are now sending their raw cotton to Britain, and get it back in manufactured calicoes and cotton goods. Edward III. encouraged Flemish weavers, fullers, dyers, and others to come over to this country; but so great was the jealousy against them, that a statute was required to protect such emigrants from the assaults of the rabble. Soon after, an act was passed prohibiting the wear of any cloth made beyond sea, and interdicting the export of English wool. So much anxiety was indeed felt at the progress of this manufacture, that during the reign of Charles II., owing to some unfounded complaints of its decay, an act was passed ordering that all persons should be buried in woollen shrouds. Such was the condition of the woollen manufacture of the United Kingdom in time past. But the futility of any measures for the protection of our manufacture was at last recognised, and it became too manifest that the interference of the Legislature could only be prejudicial to the progress of our manufacturing industry.

The woollen manufacture is now free from all adventitious support, and fears no competition. Notwithstanding all the trammels which have been imposed by foreign tariffs on the importation of British woollen goods, our exports are increasing enormously ; and we may well anticipate that, with the adoption of a free-trade policy on the continent of Europe, new and extensive markets may be opened for our woollen manufactures. We need not be alarmed at the recent abolition of all import duties on foreign woollen manufactures. The international exhibitions in London and Paris afforded opportunities for comparing the advance made by all nations in this and other manufactures, and it was then found that Continental manufacturers could only claim a superiority over English goods in the finer class of fabrics, those suited only to a limited demand, or to particular markets, rather than in the common and more popular descriptions ; whilst they have a special aptitude for tasteful designs and colouring in fancy goods.

A considerable change is about to be introduced in the French commercial legislation on woollen manufactures. Till the recent alteration effected in consequence of the treaty with the United Kingdom, the import of foreign woollen manufactures was either totally prohibited in France, or charged with practically prohibitory duties. The French manufacturers were, moreover, obliged to pay an *ad-valorem* duty on wool of 20 per cent., if imported in French bottoms, which amounted to not less than 5 or 6 per cent. on the value of the manufactured article. The manufacturers received a drawback of $5\frac{1}{2}$

to $8\frac{1}{2}$ per cent. on the value of the great bulk of merinos exported ; but this drawback was not equal to the charge levied on foreign wool ; and the duty injured the French manufacturer especially, by raising artificially the price of the home-grown wool. This system of prohibition of foreign manufacture and of import duties on raw materials, combined with a sliding scale of drawbacks for exports, favoured the smuggler and dishonest exporter, and raised useless and injurious obstacles to natural commerce. The policy recently inaugurated puts an end to so anomalous a system ; the raw material is allowed to come in free of duty, and foreign woollen manufactures are allowed to be imported into France at a duty of 30 per cent. In the United States of America woollen manufactures pay 24 per cent. duty. In Holland 1*l.* 5*s.* per cwt.

The woollen and worsted manufactures in the United Kingdom have acquired a considerable expansion. In 1856 there were 1505 woollen factories, with 1,786,972 spindles, and 14,453 power-looms, giving employment to nigh 89,000 persons, and 525 worsted factories, with 1,324,549 spindles, and 7689 power-looms, giving employment to other 80,000 persons. The exports of woollen manufactures of all kinds in 1841 amounted to 5,748,673*l.*, and of woollen yarn to 552,148*l.* In 1859 the exports of woollen and worsted manufactures amounted to 12,032,831*l.*, and of woollen and worsted yarn to 3,080,306*l.*

SECTION III.

SILK MANUFACTURE.

FEW branches of manufacture have been more subjected to parliamentary regulations than the silk. Sometimes at the instance of the masters, and at other times at the instance of the workmen, foreign manufactured silks were either absolutely prohibited, or allowed to come in free of duty.* Occasionally, certain descriptions only were prohibited, as in 1692, when the refugees who settled here after the revocation of the Edict of Nantes actually obtained a patent, and ultimately an act of Parliament, confining the manufacturing of lustrings and *à la mode* to themselves, and prohibiting their importation. Under absolute prohibition or partial restriction the silk manufacture languished. Under free importation it prospered. The policy of prohibition and exclusion, however, generally prevailed, and under its influence the trade has often been paralysed and the manufacturers have not unfrequently been in a state of distress. The King and the Legislature were then implored to devise measures of relief, and on these occasions large sums for the benefit of the starving operatives were occasionally subscribed, and balls attended by the royal family, at which only new silks of British manufacture were to be worn, were given.

* See the able report of Mr. Thomas Winkworth on Silk Manufactures in the Paris Universal Exhibition of 1855.

Smuggling, disputes between masters and men as to wages, parliamentary interferences, destruction of silks in the loom, and even in wear when supposed to be of foreign manufacture, were the rule, occasional quiet and profitable employment the exception.

At length a brighter star dawned upon the trade ; correct principles began to take root in the manufacturing mind ; and, as if wearied with these fearful consequences of an erroneous and fitful policy, Parliament interfered, and, in the memorable year 1826, but not without a long struggle with the majority of the manufacturers, foreign silk goods were permitted to come in at an import duty of 30 per cent. *ad valorem*. This heavy impost was but a measure of temporary expediency ; for, though it was reluctantly accepted as a kind of compromise, the effect was, as the advocates of free importation prophesied, to some extent more injurious than the state of things which obtained under total prohibition. Under absolute prohibition, foreign silks, when recognised and detected, from certain peculiarities of length, width, and texture, were immediately seized ; but under high duties smuggling was carried on with comparative safety.

Such was the state of things prior to 1845, when the nominal duty of 30 per cent. was reduced to one-half—viz., to 15 per cent. *ad valorem*, or to 5s. per lb., at the option of the Commissioners of Customs. As the charge of the smuggler was from $12\frac{1}{2}$ to 15 per cent., this branch of his illicit trade was nearly annihilated. But even this reduced duty has just been abolished, and the silk manufacturers are generally quite prepared

and willing to enter into open competition with the French and Germans. The proper position and character of the British silk manufacturer is the production of goods suitable, in price and quality, to the greater number of English consumers, and sufficiently rich, varied, and tasteful to form the morning costume of the higher and wealthy classes of society. On these the British manufacturers should fear no competition; and if it be necessary for them to renounce a forced competition upon certain descriptions of goods in which they are thwarted by the climate, or other naturally opposing influences, they will the more successfully apply their industries to the production of goods which they can manufacture cheaper and better than other nations.

The silk manufacture of the United Kingdom had, in 1856, 460 factories—454 of which were in England and Wales, and 6 in Scotland—with 1,093,299 spindles, and 9260 power-looms, giving employment to nearly 60,000 persons. The exports of silk, thrown twist, and manufactures of all kinds, in 1841, amounted to 788,894*l.*, and in 1859 to 2,351,839*l.*

CHAPTER XIV.

EXCISE.

WE shall now enter on those taxes which affect more directly British manufacture and industry, and which are levied by means of the Excise. Between the Customs and Excise there is an essential difference. The Customs are duties on foreign produce and manufacture; the Excise are duties exclusively affecting British manufactures. The one seizes the goods on their arrival in this country, the other whilst they are in process of being manufactured here. The first attempt to impose the Excise was in 1626; but it encountered the prompt opposition of Parliament, both Houses having judged it contrary to law. The Excise was always exceedingly unpopular. During the Civil War, in 1641, Parliament ventured to impose an Excise on beer, cyder, and perry; but, although they pleaded absolute necessity in excuse for this expedient, and it was continued only from month to month, the execution of it was the cause of riots in London. Charles I., in one of his declarations, charged Parliament with imposing insupportable taxes and odious excises; yet he was afterwards under the necessity of resorting to the same expedient. At the Restoration, the Excise was abolished on all articles of consumption, except beer and

ale, cyder and perry, which produced a clear revenue of about $700,000l.$, and these duties were divided into two equal portions; the hereditary Excise, so named because granted to the Crown for ever in recompense for the Court of Wards and Purveyance, and the levies abolished by act of Parliament; and the temporary Excise, so denominated because only granted for the life of the Sovereign.

On the accession of James, Parliament not only renewed the temporary Excise for his life, but increased it by additional duties on wines, vinegar, tobacco, &c.; but with the revolution the Excise was again reduced, such a tax being considered peculiarly obnoxious to the spirit and principles of the Constitution. The unpopularity of the tax never abated by long usage; and the severity with which the laws were executed in order to prevent frauds and punish smugglers, made it still more objectionable, as it began to encroach on private property and personal liberty. We shall offer some illustrations of the operation of the Excise in the cases of glass, soap, and paper.

The produce of Excise duties since 1834 has been as follows:—

1834-1839	...	...	£13,949,000
1840-1844	...	...	13,267,000
1845-1849	...	...	13,587,000
1850-1854	...	...	14,583,000
1855-1859	...	...	16,727,000

The net amount of revenue produced by the several duties of Excise in the United Kingdom, in the year ended 31st March, 1859, charges of collection not deducted, was as follows:—

	Great Britain.	Ireland.	United Kingdom.
Spirits	£ 6,586,976	£ 2,363,219	£ 8,950,195
Malt	5,139,532	273,245	5,412,777
Hops	378,320	...	378,320
Licences	1,310,247	125,992	1,436,239
Paper	1,091,220	50,894	1,142,114
Railways	339,569	...	339,569
Stage carriages	124,994	...	124,994
Hackney carriages	82,094	...	82,094
Race horses	5,771	...	5,771
Game certificates . . . . .	...	12,228	12,228
Miscellaneous receipts } from fines, forfeiture, &c.	15,058,723 9,998	2,825,578 7,246	17,884,301 17,244
	15,068,721	2,832,824	17,901,545

The net amount of Excise revenue is produced by the gross amount collected, amounting to 18,497,816*l.*, less the drawbacks, discounts, and parliamentary allowances, and repayments and overcharges, 596,271*l.* The charges of collection are not included, as they are embraced in those for the Inland Revenue department.

SECTION I.

GLASS.

THE manufacture of glass is of ancient origin, and it was probably first imported from Phœnicia. Pliny ascribed the discovery to some storm-beaten mariners, who, whilst boiling their food at the mouth of the river

Belus, a small stream running at the foot of Mount Carmel, where the herb kali was growing abundantly, perceived that the sand, when incorporated with the ashes of the plant, melted and ran into a vitreous substance. Nor is the supposition unnatural. For the sand of this place is well adapted for the manufacture of glass, and it is scarcely possible to produce a fire of sufficient heat for metallurgical operations without vitrifying part of the bricks or stones of the furnace. Strabo and Josephus alike supported the statement of Pliny ; and probably from the spot referred to materials were obtained for the glass-works of Tyre and Sidon. The manufacture was early introduced into England, but it was not carried on to any extent previously to the sixteenth century. The first plates for looking-glasses and coach-windows were made in 1673 at Lambeth, by a Venetian artist, under the protection of the Duke of Buckingham. The British Plate Company was incorporated in 1773, when it erected its extensive works at Ravenhead, near St. Helen's, in Lancashire.

But the manufacture of glass was sadly interfered with by the Excise duties. At the commencement of this century, in 1813, the duty on flint and plate-glass was not less than 98*s.*; on crown-glass and on German sheet, 73*s. 6d.*; on broad-glass, 30*s.*; and on common bottle, 8*s. 2d.* per cwt. Such duties greatly checked the consumption of the article, whilst the Excise regulations so interfered with the processes of manufacture as to prevent the introduction of any improvement. Many changes were subsequently introduced in the

duties. In 1819 the duty on plate-glass was reduced from 98s. to 60s. per cwt. In 1825 the duty on flint-glass was repealed, and a new duty of 12*l.* 10*s.* for every 100 lbs. of fluxed material for flint-glass imposed. After some changes in the duty on common bottle-glass in 1828, the duty on fluxed materials for flint-glass was reduced in 1832 to 20*s.* for every 100 lbs., and in 1835 to 6*s.* 8*d.* for 100 lbs. In 1840, 5 per cent. additional was imposed on every description of glass, and the duty on broad glass was increased from 1*l.* 10*s.* to 3*l.* 13*s.* 6*d.* per cwt. In 1845 Sir Robert Peel abolished the entire duty on glass, and the manufacture has since acquired an unbounded extension. All around us we see the effect of this freedom of manufacture. Our houses are better lighted and aired. The use of mirrors is largely extending, and Crystal Palaces have been erected for the International Exhibition of Industry in 1851, and for a permanent source of instruction and recreation at Sydenham, which, for beauty, elegance, and convenience, are far in advance of the ordinary structures of brick or stone.

SECTION II.

SOAP.

A TAX on soap was also extremely objectionable, both as a trammel on a British manufacture, and as a hindrance to the use of an article essentially necessary to health

and comfort. Yet, up to a very recent period, a revenue of upwards of 1,000,000*l.* was derived from this article. In olden times the manufaeture of soap was given as a monopoly to certain corporations, who effe-tually prohibited any eoneurrence or competition. A heavy duty was also imposed ; and by means of these restrictions the manufaeture was checked and thwarted. In 1650 the Exeise duty on soap was 1*d.* per lb. Two years afterwards it advaneed to 1½*d.* per lb. ; at which rate it remained till 1783, when it was raised to 2½*d.*, and in 1816 it was increased to 3*d.* per lb., or 28*l.* per ton. Each advancee of duty brought with it additional restrictions upon the manufacturer, and whilst it was supposed that the revenue would increase by such ad-vances, the illieit trade, which was systematically in-creasing, caused the revenue actually to diminish. Hence the duty was reduced in 1852 to 1½*d.* per lb., and the effect was soon seen in the greatly augmented con-sumption. In 1801 there were consumed 53,000,000 lbs., or 4·84 lbs. per head. In 1811 the quantity con-sumed was 73,500,000 lbs., or 5·83 lbs. per head. In 1821 the consumption was 93,000,000 lbs., or 6·43 lbs. per head. In 1841 the quantity consumed was 170,000,000 lbs., or 9·62 lbs. per head, and in 1845, 190,000,000 lbs., or 9·65 lbs. per head. In 1852 the duty was finally repealed, and now we export upwards of 20,000,000 lbs. It is impossible to ascertain the present consumption of soap.

SECTION III.

PAPER.

PAPER is an article of primary necessity. By it the great national correspondence is carried on, as represented by the 550,000,000 letters which yearly pass through the British post-office. By it the discoveries of science and the products of genius are conveyed fresh from the reservoirs of thought, reason, and observation to the stream of popular intelligence. By it the press daily sends forth a flood of political and social information, which animates and strengthens the life of the nation, and educates the masses in their rights and duties as members of a free state. It is by paper that the annals of the nation and the records of families are carefully preserved. The walls of our houses are now covered with paper. Elegant articles of furniture are made of paper. As a cover for parcels and packages, and in a thousand other ways, paper, moreover, enters into the innermost economy of life.

A tax on paper was therefore a tax on one of the most useful of British manufactures, and a barrier to the progress and diffusion of knowledge. The paper duties have been subjected to numerous changes since their first imposition in 1712. The duty commenced with 1*s. 6d.* per ream for demy, fine and other qualities at different rates. These were afterwards altered for duties distinguishing only first- and second-class paper. In 1794 writing, drawing, and printing paper were charged $2\frac{1}{2}d.$ per lb., coloured and whited brown 1*d.*,

brown $\frac{1}{2}d.$, other qualities $2\frac{1}{2}d.$; pasteboard 10s. 6d. per cwt., and glazed paper 6s. per cwt. These duties continued till 1801, when they were doubled. Further augmentations were made in 1805 and 1815; but in 1836 all kinds of paper were uniformly charged $1\frac{1}{2}d.$ per lb.: at which rate it now remains.* The duty of $1\frac{1}{2}d.$ per lb. produced, it is true, but an insensible difference in the cost of writing-paper or of books, yet it acted as a serious discouragement to the extension of cheap publications and newspapers; and as the tax was levied on the whole issue of any work, whether sold or not, it added materially in many cases to the cost of publication. Moreover, in the heavier qualities of paper, $1\frac{1}{2}d.$ per lb. was by no means a light tax; a ream of brown paper weighing 60 lbs., which would cost without duty 14s. or 15s., had a duty of 7s. 6d., or upwards of 50 per cent. on the cost. Such paper is extensively used in packing articles of cutlery for export, and the duty added much to the cost of the article.

A good illustration of the working of the Excise laws, and of the effects of introducing exemptions to the natural application of the tax may be here furnished as showing the embarrassment they produce to the revenue. By an Act 6 & 7 Wm. IV. c. 52, the makers of pasteboard from first-class paper, that is, paper

* Mr. Gladstone's financial measures of 1860 contemplated the abolition of the paper duty, and a bill to that effect had passed the House of Commons, but it was rejected by the House of Lords on the 21st May by a majority of 89.

made from other materials than tarred ropes, to be cut into and sold as playing cards, and as cards not exceeding the size of 64 square inches, were permitted to carry on their business without entry or licensee. This exemption having once been granted, the distinction between cards and pasteboard became too fine to maintain, and the restriction as to the size was found to be unequal, and injurious in its operation.

But while the card-makers were thus enjoying the exemption, the pasteboard-makers were not alike favoured ; and it would have become necessary either to place the card-makers under survey, or to exempt the pasteboard-makers. But, again, the pasteboard-makers were treated differently than the scaleboard-makers. Left free from extraneous influences, these two articles might, perhaps, have maintained the struggle for supremacy without any decided advantage on either side ; but the weight of Excise duty and survey which was brought to bear upon pasteboard alone gave to scaleboard an easy triumph in the very same field in which pasteboard formerly obtained the preference. Boxes, for instance, of various kinds, and especially hat-boxes, were originally made of pasteboard ; a more suitable material for the purpose than scaleboard. Since the duty was levied on the former and not on the latter, a trade which entirely supported a large manufactory near Oxford ceased to exist. The duty on pasteboard was, moreover, seriously detrimental to the exporter of certain light manufactures which are packed in ornamental boxes for the foreign market, and it actually had the effect of compelling the

British merchant to import for this purpose boxes made in Germany instead of using those made at home. These are some instances described by the Commissioners of Excise illustrating the unequal incidence of the paper duty ; we cannot wonder, therefore, that they were induced to report that nothing short of the entire repeal of the duty would provide an apparent remedy to the injury produced by the tax on paper.

The great obstacle to a large increase in the production of paper is the want of paper materials. Doubtless, every vegetable fibre is capable of being reduced to pulp, and converted into a substance upon which writing with pen and pencil can be inscribed, and experiments have often been made with plantain fibre, hop bine, peat, thistles, nettles, straw and sawdust, but rag is the readiest and most useful article as paper material. The great advantage of rags over all other materials consists in the fact that the vegetable fibre in its conversion into woven fabric undergoes a thorough cleansing and separation from refuse ; a result which would otherwise have to be attained at the paper-mill. This circumstance causes rags to be absolutely cheaper than any other materials ; and it is very difficult to discover any material which possesses the same requisite. Some fibres require so much cost to bring them to the state in which they are offered to paper-makers in the form of rags or cotton waste, that, in point of economy, they cannot enter into competition with the latter. Certain fibres lose so much in weight in the process of being reduced to this state, that they cease to be economical ; and others, again, are so difficult to bleach, that it would

be impossible to render them fit for white paper. Hence it is that our paper-makers are wholly dependent on the supply of rags, and besides the home supply, which is large, they would be able to consume any quantity that might be obtained from foreign countries. Unfortunately, however, such countries prohibit the exportation of rags, and we are thus precluded from obtaining the only material which would enable our manufacturers to meet an open competition.

The following table shows the consumption and revenue from paper from 1801 to 1859 :—

Years.	Quantity.	Population.	Per head.	Revenue.
	lbs.		lbs.	£
1801	36,000,000	16,000,000	2.28	260,000
1811	44,000,000	18,000,000	2.44	500,000
1821	52,000,000	21,000,000	2.49	600,000
1831	68,000,000	24,000,000	2.82	700,000
1841	97,000,000	27,000,000	3.80	600,000
1851	150,000,000	27,500,000	5.49	1,000,000
1859	198,000,000	29,000,000	6.80	1,200,000

CHAPTER XV.

TAXES ON OCCUPATION.

THE licence duty is a tax on trade. A licence is now required for the exercise of many branches of trade. To set up a shop for the sale of tea or coffee, to retail beer, wine, or spirits, to be a manufacturer of paper or of soap, to be a tobacco dealer, and to engage in many other similar pursuits, a licence must be obtained. And if we add the stamp licences necessary for other professions, such as to be attorneys and notaries, bankers, hawkers, pawnbrokers, plate dealers, &c., we may see how extensively a tax is levied on the occupations of the people. There is something exceedingly irksome in such a system of taxation, and the only cases where such taxes should be maintained are where any administrative control is absolutely required for the exercise of certain industries liable to abuses or excesses. Of the total amount of 1,400,000*l.* nigh 1,000,000*l.* are derived from spirit dealers, wine dealers, brewers, and maltsters.

The mode of levying such revenue is somewhat objectionable. The licence duty on auctioneers is a fixed rate of 10*l.* per annum; that on paper manufacturers and soap makers, 4*l.* 4*s.* per annum; but the licence duty on brewers is charged according to the barrels of beer brewed, and that on sellers of beer according to the rating of their premises. The licence duty on retailers of beer differs, as the permission is granted or not that it may be drunk on the premises.

So dealers in foreign wine not having a licence to retail beer or spirits, pay 10*l.* 10*s.* per annum; having a licence to retail beer, but not to retail spirits, pay 4*l.* 8*s.* 2*½d.*; and having a licence to retail beer and spirits as well, pay 2*l.* 4*s.* 1*d.* per annum. Why such differences should be made in the taxes on occupation it is not easy to see.* A uniform rate would be far preferable. Whilst there are 315,000 retailers of beer, there are at present only 1600 dealers in foreign wines without a licence to retail spirits or beer. We must multiply the number of these if we deem it desirable that the consumption of wine should extend.

The following are the proceeds of the licence duties since the year 1801:—

	1801.	1811.	1821.	1831.	1841.	1851.	1859.
Auctioneers . . .	1,278	1,115	3,818	18,910	21,731	42,090	44,460
Brewers and re-tailers of beer }	11,024	130,371	171,504	273,871	345,569	370,251	384,178
Maltsters . . .	19,352	10,756	20,675	22,373	24,453	19,824	18,559
Paper makers . . .	896	1,150	2,750	3,162	2,039	1,750	1,667
Soap makers . . .	1,248	1,044	3,617	2,167	1,545	1,358	1,386
Spirits	190,870	241,027	456,611	395,097	428,834	459,056	563,400
Sweets	2,279	2,843	2,238	1,032	3,357	7,568	10,279
Tea and coffee dealers	17,068	19,436	64,450	58,183	63,109	80,216	83,522
Tobacco manufacturers and dealers	16,311	16,151	35,628	49,339	57,659	66,490	69,644
Vinegar	262	290	1,782	309	308	510	346
Wine	30,492	39,643	62,058	73,026	83,538	84,386	88,238
	291,080	463,826	825,131	898,069	1,032,142	1,134,099	1,267,879

* A bill imposing a licence duty on refreshment houses and wine licences is now passing through the Legislature. The refreshment-house licences are at the rate of 10*s.* 6*d.* when the rent is under 20*l.* a year, and 1*l.* 18*s.* when the rent is 20*l.* a year or upwards. The wine licences are at the rate of 3*l.* 3*s.* when the rent is under 50*l.* a year, and 5*l.* 5*s.* when the rent is 50*l.* and upwards and the wine is to be consumed on the premises, and 2*l.* 2*s.* and 3*l.* 3*s.* respectively if the wine is not to be consumed on the premises.

CHAPTER XVI.

TAXES ON LOCOMOTION.

TAXES on locomotion are objectionable, as they throw obstacles on the movement of persons and merchandize, so essential for the progress of commerce. Yet a tax on the railway interest, or on the proprietors of stage carriages, may be regarded as a compensation for the privileges granted them, and for the partial monopoly they enjoy in the carrying of passengers and goods. The general substitution of railways for other modes of conveyance is visible in the change in the sources of such revenue during the last thirty years.

As late, for instance, as 1831, the revenue from stage carriages amounted to 422,543*l.* Now it amounts to only 118,000*l.* In 1831 the revenue from post horses was 232,355*l.* Now it has dwindled down to 137,000*l.* The tax on railways, on the other hand, commenced in 1832, when it produced, at a halfpenny for every four passengers per mile, only 634*l.* From that time the amount gradually increased, till in 1859 it reached upwards of 350,000*l.* This wonderful progress of the railway system has, indeed, surpassed the most sanguine expectations. The total length of line authorized by Parliament, down to the end of 1858, amounted to 14,049 miles, though only 9506 miles were actually

open. The total amount of capital raised for the construction of railways up to the 31st of December, 1858, amounted to 325,375,507*l.*, which represented an expenditure of 34,243*l.* per mile of railway open. The railway traffic is, indeed, something considerable. During the year 1859 there were carried as many as 139,000,000 passengers; 25,600,000 tons of merchandise; 47,500,000 tons of minerals; 11,000,000 heads of cattle, and an immense quantity of parcels; and the aggregate receipt from all sources of traffic for the whole kingdom amounted to 24,000,000*l.* In other countries the railways have extended as considerably. Up to 1858, in the United States of America, there were 26,000 miles of railway; in France, 4000 miles; in Germany, 3000 miles; In Prussia, 2300 miles; in Austria, 1500 miles; in Italy, 1000 miles; in Belgium, 1000 miles; in Russia, 700 miles; in Holland, 300 miles; in Denmark, 160 miles; in Spain, 500 miles, &c. &c.

The following are the proceeds of the taxes on locomotion since 1821:—

	1821.	1831.	1841.	1851.	1858.
	£	£	£	£	£
Hackney carriages	26,248	35,695	52,811	94,444	82,129
Stage carriages . . .	279,601	422,543	313,891	228,592	125,016
Post horses . . .	243,683	232,355	198,429	153,843	137,249
Railways . . . .	...	...	159,781	291,385	339,569
	549,532	690,593	724,912	768,264	683,963

CHAPTER XVII.

STAMP DUTIES.

TAXES ON CONTRACTS AND TRANSFERENCE OF PROPERTY.

STAMP duties were first levied, in Holland, under the pressure of the War of Independence against the Spanish monarchy. In England they were introduced in 1671; and though at one time contemplated only as a temporary revenue, they continued to be levied annually without intermission. This branch of the revenue is derived from various sources. First are the duties on legacies and succession, and on probate of wills, a tax on the transfer of property at death. Then come the duties on fire and marine insurance, a duty on prudence and frugality, which it should ever be the interest of the Legislature to promote. Next, are the duties on contracts and other instruments, on admissions to public offices, on grants, &c. And, next, the duties on bills of exchange, receipts and drafts, bankers' notes, drafts on bankers, duties on law proceedings, and other minor items.

The policy of levying taxes on the transfer of capital, and the mode of operation of such taxes, have been so well described by Mr. Ricardo, that we cannot do

better than quote his observations on the subject. ‘Taxes are not necessarily taxes on capital, because they are laid on capital ; nor on income, because they are laid on income. If from my income of 1000*l.* per annum I am required to pay 100*l.*, it will be really a tax on my income, should I be content with the expenditure of the remaining 900*l.*; but it will be a tax on capital if I continue to spend 1000*l.* The capital from which my income of 1000*l.* is derived may be of the value of 10,000*l.* A tax of 1 per cent. on such capital would be 100*l.*; but my capital would be unaffected if, after paying this tax, I in like manner content myself with the expenditure of 900*l.* The desire which every man has to keep his station in life, to maintain his wealth at the height it has once obtained, occasions most taxes, whether laid on capital or on income, to be paid from income ; and, therefore, as taxation proceeds, or as the Government increases its expenditure, the annual expenditure of the people must be diminished, unless they are enabled proportionally to increase their capital and income. It should be the policy of Governments to encourage a disposition to do this in the people, and never to lay such taxes as will inevitably fall on capital ; since, by so doing, they impair the funds for the maintenance of labour, and thereby diminish the future production of the country. In England this policy has been neglected, in taxing the probates of wills in the legacy duty, and in all taxes affecting the transference of property from the dead to the living. If a legacy of 1000*l.* be subject to a tax of 100*l.*, the legatee considers his legacy as only 900*l.*,

and feels no particular motive to save the 100*l.* from his expenditure, and thus the capital of the country is diminished; but if he had really received 1000*l.*, and had been required to pay 100*l.* as a tax on income, on wine, on horses, or on servants, he would probably have diminished, or rather not increased, his expenditure by that sum, and the capital of the country would have been unimpaired.'

'Taxes upon the transference of property from the dead to the living,' says Adam Smith, 'fall finally as well as immediately upon the person to whom the property is transferred. Taxes on the sale of land fall altogether upon the seller. The seller is almost always under the necessity of selling, and must therefore take such a price as he can get; the buyer is scarcely ever under the necessity of buying, and will therefore only give such a price as he likes. He considers what the land will cost him in tax and price together. The more he is obliged to pay in the way of tax, the less he will be disposed to give in the way of price; such taxes, therefore, fall almost always upon a necessitous person, and must therefore be very cruel and oppressive.

'Stamp duties, and duties upon the registration of bonds, and contracts for borrowed money, fall altogether upon the borrower; and, in fact, are always paid by him. Duties of the same kind upon law proceedings fall upon the suitors. They reduce to both parties the capital value of the subject in dispute. The more it costs to acquire any property, the less must be the

net value of it when acquired. All taxes upon the transference of property of every kind, so far as they diminish the capital value of that property, tend to diminish the funds destined for the maintenance of labour. They are, more or less, unthrifty taxes, that increase the revenue of the Sovereign, which seldom maintains any but unproductive labourers, at the expense of the capital of the people which maintains none but productive. But this is not the only objection to taxes on the transference of property: they prevent the national capital from being distributed in the way most beneficial to the community. For the general prosperity, there cannot be too much facility given to the conveyance and exchange of all kinds of property; and it is by such means that capital of every species is likely to find its way into the hands of those who will best employ it in increasing the productions of the country. ‘Why,’ asks M. Say, ‘does an individual wish to sell his land? It is because he has another employment in view, in which his funds will be more productive. Why does another wish to purchase this same land? It is to employ a capital which brings him too little, which was unemployed, or the use of which he thinks susceptible of improvement. This exchange will increase the general income while it increases the income of these parties; but if the charges are so exorbitant as to prevent the exchange, they are an obstacle to the increase of general income. These taxes, however, are easily collected, and this by many may be thought to afford some compensation for their injurious effects.’

The produce of stamp duties since 1816 has been as follows :—

1816-1825	...	...	£6,300,000
1826-1835	...	...	7,000,000
1836-1845	...	...	7,000,000
1846-1855	...	...	7,000,000
1856-1858	...	...	7,300,000
1859	...	...	8,000,000

The net amount of revenue from this source in the year ending 31st March, 1859, was as follows :—

	Great Britain.	Ireland.	United Kingdom.
Deeds and instruments . . .	£ 1,245,888	£ 90,486	£ 1,336,374
Probates of wills and letters } of administration . . .	1,163,713	76,971	1,240,684
Legacies and successions . .	2,052,686	144,847	2,197,533
Fire insurances	1,338,232	64,303	1,402,535
Marine ,	284,636	688	285,324
Bills of exchange	426,026	31,411	457,437
Receipts and drafts	390,615	28,004	418,619
Licences and certificates . .	203,377	14,921	218,298
Newspapers and other papers	128,634	16,971	145,605
Medicines	41,250	...	41,250
Bankers' notes	6,669	...	6,669
Composition for duties . . .	38,400	22,704	61,104
Law and other stamps . . .	138,359	44,844	183,203
	7,458,485	536,150	7,994,635

CHAPTER XVIII.

TAXES ON LEGACIES AND SUCCESSIONS.

THE origin of the duties on legacies, and other successions to property upon death, has been ascribed to the *vicesima hereditatum* established by the Emperor Augustus. The stamp duty upon grants of probate and administration being one of the first stamp duties copied from Holland, was imposed in June, 1694. It consisted of 5*s.* for each probate or administration for property above 20*l.* in value. The same was increased four years afterwards to 10*s.*; but no other change was made upon these rates till 1779, when an ascending scale of duties was imposed, but not extending beyond property of the value of 300*l.* This was increased in 1783 to 1000*l.*, in 1789 to 5000*l.*, and in 1797 to 10,000*l.* In 1801 the rates were increased, and the scale was also enlarged to 100,000*l.* Again, in 1804 the rates were increased, and the amount extended to 500,000*l.*; and in 1815 the present rates were fixed, extending the range to 1,000,000*l.*

Previously to 1815 the rates of duty for probates and administration (testacies and intestacies) were the same;

but the latter were then increased in the ratio of 3 to 2, thus taxing the property of an intestate one-third more than that of a testator. In Ireland the probate duty was first imposed in 1774 at 5*s.* for each grant of probate or administration exceeding 30*l.*; subsequently increased by different acts till the English rates were permanently imposed in 1853. In Scotland the same rate of duty as in England was imposed in 1804.

The legacy duty, another succession tax, was first imposed in Great Britain in June, 1780, the rates being, for brothers and sisters and their descendants 2 per cent., for brothers and sisters of father and mother and their descendants 3 per cent., for brothers and sisters of grandfather or grandmother and their descendants 4 per cent., and for all other persons 6 per cent. No duty was charged for husbands, wives, children, and grandchildren. In 1804 the rates were increased from 2 to 2½ per cent., and from 6 to 8 per cent. In 1805 the legacy duty was extended to children and their issue at the rate of 1 per cent. The rate for strangers in blood was also raised from 8 to 10 per cent. In 1815 a further increase took place by charging fathers, mothers, and lineal ancestors, when the 2½ was raised to 3 per cent., the 4 to 5 per cent., and the 5 to 6 per cent. In Ireland the legacy duty commenced in 1785, and in 1842 the same rates were made payable throughout the United Kingdom. In 1853 the legacy duty was extended to all property, whether real or personal, passing by death under will or intestacy.

The progressive increase of revenue from these sources will be seen from the following table :—

Years.	Probates of wills.	Legacies and succession.	Total.
Grt. Britain.	£	£	£
1811	446,073	443,776	889,809
U. Kingdom.			
1821	823,847	979,419	1,803,266
1831	918,667	1,163,812	2,082,479
1841	1,012,482	1,209,126	2,221,608
1851	1,063,401	1,315,281	2,378,682
1859	1,240,684	2,197,533	3,438,217

CHAPTER XIX.

DUTIES ON FIRE AND MARINE INSURANCE.

TO life and fire insurance we are indebted for the extension of providence and comfort among numerous classes of society, and to marine insurance we owe the immense development of navigation and commerce. Insurance is a modern institution. It was not known to the Romans, and its introduction into Europe dates from the fifteenth century. At first its principles were exclusively applied to navigation, but by degrees they were extended to the insurance of life and of property from fire.

The first duty upon insurance was a 6*d.* stamp charged on the policy, without distinction between fire, life, and marine insurance, but the rate for fire insurance was afterwards increased at different times. In 1775 the duty was 6*s.* on policies of all amounts below 1000*l.*, and 5*s.* more on insurances of sums of 1000*l.* and upwards. In 1782 a per-centage duty at the rate of 1*s.* 6*d.* per 100*l.* was first imposed. This was afterwards increased, in 1798, to 2*s.* per cent., and in 1804, whilst the policy duty was reduced to 1*s.*, the per-centage duty increased to 2*s.* 6*d.* per 100*l.* The duty was further raised to 3*s.* per cent. in 1815, and at this rate it has continued to this day.

Have such duties interfered materially with the progress of insurance? Judging from the increase in the amount of property insured, the answer will be decidedly in the negative. In 1783 the value of property insured from fire was 155,000,000*l.* In 1804 it amounted to 238,000,000*l.* In 1805 it rose to 389,000,000*l.* In 1833 to 504,000,000*l.*, and in 1858 to 1,000,000,000*l.* Yet a duty which increases the charge on all insurances of common risks by 100 to 200 per cent. must necessarily operate as a considerable restraint, especially on the insurance of buildings of inferior description.

An apology for this tax has been made in the report of Mr. Coode, on the ground mainly of the slight burden thereby imposed on property. This tax, he said, ‘is one which can in no case exceed $\frac{3}{100}$ of a penny in the pound, or the $\frac{1}{67}$ part of the value of the property insured; and it varies in actual practice from that which is a very unusually high proportion to about $\frac{1}{4}d.$ in the pound, or the $\frac{1}{1000}$ part of the value, the more usual amount, to $\frac{1}{6}$ or $\frac{1}{3}$ of a penny in the pound, or the $\frac{2}{1000}$ part of the value of the property.’ The reason why this tax falls light, is, in fact, not because the rate is low, but because the largest amount of property is uninsurable or uninsured. But this is in a great measure the very grievance of the tax. The owners of small tenements are thereby discouraged from insuring, and those who do insure value their property much lower than they would otherwise do.

The insurance duty is highly objectionable on economical grounds, and is doubtless destined to be

abolished as soon as the finances will allow. Already an exception is made as regards farming stock, which is exempted from duty. If it be desirable to encourage thriftiness and prudence in our agricultural industry, it must be as important to encourage it amongst other classes of the community.

The same observations to a certain extent apply to marine insurance. On marine insurance a per-cent-age duty was first charged in 1795 at the rate of 2*s.* 6*d.* for every 100*l.* and 1*s.* 3*d.* where the premium did not exceed 10*s.* per cent. These rates were doubled in 1801. In 1804 a difference was made between coasting policies and foreign policies. Coasting policies were taxed 1*s.* 6*d.* for policy where the premium did not exceed 20*s.* per cent., and foreign policies 2*s.* 6*d.* and 5*s.* respectively. In 1823 some further alterations were made ; and since 1844 the rates were fixed at 3*d.* when the premium does not exceed 10*s.* per cent., and progressively, in proportion as the premium increases, to 4*s.* when the premium exceeds 50*s.* Mutual insurances on land 2*s.* 6*d.* for every 100*l.* for a period not exceeding six months ; and 4*s.* for 100*l.* for a period not exceeding six months. The effect of the duty on marine insurance is perhaps not so marked as on fire insurance. Yet the practice of not insuring at all is gaining ground. Some idea may be formed of the extent of this practice from the fact that the proportion of vessels uninsured to the number of wrecked in 1858 was 19 $\frac{3}{4}$ per cent. against 15 $\frac{1}{2}$ per cent. in 1857. The proportion of vessels insured to the number of wrecks was 82 per cent. in 1857, and 40 per cent. in 1858.

The following is the produce of such taxes since 1821 :—

	Sum insured, in- cluding farming stock.	Fire insu- rance duty.	Marine in- surance duty.	Total.
England & Wales.				
1821	£ 399,000,000	£ 643,305	£ 223,650	£ 866,955
1831	499,000,000	628,563	287,762	916,325
United Kingdom.				
1841	858,000,000	1,190,506	174,148	1,364,654
1858	1,053,765,000	1,472,443	287,071	1,759,514

CHAPTER XX.

POST OFFICE.

THE carriage of letters has, in all civilized countries, formed part of the duties of the State, with a view to safety of conveyance, regularity of transmission, and universality of accommodation. The Post Office is a great medium of national and international correspondence; and no public institution is more entitled to public estimation for the convenience it affords, and for the regularity and faithfulness which are exhibited in the discharge of its public duties. The introduction of the penny postage is the great era in the history of the British Post Office. Before then, the rates of postage were enormously high, the charge varying from 4*d.* for any distance not exceeding fifteen miles to 1*s.* from 230 to 300 miles, and 1*d.* extra for every 100 miles after; whilst letters to and from Scotland paid a half-penny extra, to defray the charge of toll paid at Berwick bridge across the Tweed. In 1839, prior to the introduction of a uniform postage of one penny upon every letter to and from any part of the United Kingdom, the number of letters transmitted in the United Kingdom was 76,000,000. Immediately after, in 1840, the number of letters was 169,000,000, exhibiting an increase of 122½ per cent. in one year. The increase

progressed at an unprecedented ratio ; and in the year 1859 the number of letters delivered reached 545,000,000, or 18 letters to each person in the United Kingdom. Besides the conveyance of letters, the Post Office affords a valuable medium for the transmission of small sums of money. During the year 1859 there were issued nearly 7,000,000 money orders, of the total amount of upwards of 13,000,000*l.* Through the Post Office there pass also in the year upwards of 80,000,000 newspapers and book packets.

The gross revenue of the Post Office for the year 1859 was 3,300,000*l.* ; but the cost of management was nigh 1,900,000*l.*, leaving a net revenue of about 1,400,000*l.* It must be remembered, however, that nearly 1,000,000*l.* are spent by the naval department in the packet service for conveyance of the mail between Liverpool and the Isle of Man ; between Holyhead and Kingstown ; between Aberdeen and Lerwick ; between Thurso and Stromness ; between Southampton and the Channel Islands ; between Dover, Calais, and Ostend ; between Southampton, Sligo, Oporto, Lisbon, Cadiz, and Gibraltar ; between Liverpool, Halifax, Boston, and New York ; between Halifax and St. Thomas and Halifax and St. John's, Newfoundland : also for conveyance of mails to and from the West Indies, the West Coast of America, and the West Coast of Africa.

CHAPTER XXI.

TAXES ON INCOME AND PROPERTY.

THAT a portion of the public revenue should be derived from direct taxation it is universally admitted. It is only on the proportion it should bear to the entire amount of taxation, and on the method to be adopted in adjusting it, that considerable difference is found to exist. We have already seen that the proportion of direct to indirect taxes in the United Kingdom is smaller than that obtained in other countries, that the greater part of our direct taxes are levied on the middle and higher classes, and that just in proportion as we abolish or reduce the Customs and Excise revenue, so the taxation bearing on the working classes diminishes, and a corresponding increase of burden is charged on the middle and higher classes. It would be difficult to establish the exact proportion the direct should bear to the indirect taxes. The average proportion of direct and indirect taxes in France, Prussia, Holland, Portugal, Spain, Austria, and Russia, is, as we have seen, 27 and 53 per cent., whilst in the United Kingdom it is 16 and 81. In foreign countries, however, nigh 20 per cent. are obtained from monopolies and Crown property. The mode of levying public taxes must be regulated by the amount of taxes to be levied, by the

state of public opinion respecting taxation, and by the economical condition of the people. So long as the revenue continues at the large amount of 60,000,000*l.* to 70,000,000*l.* in a population of 30,000,000, the Legislature must have regard to the convenience as well as to the interest of the people, and must endeavour to render the burden of taxation as light as possible. We are not prepared to state that 16 per cent. is the maximum which should be levied by direct taxation in the United Kingdom. On the contrary, there appears to be no reason why the proportion should not be double that amount; but, in re-adjusting our system of taxation, we should ever keep in view the need of balancing the burden among all classes, so that the taxation be levied with a true measure of political equity.

In our observations on the distribution of our present taxation we have shown that, in proportion to number, the upper classes are now taxed twenty times more than the working classes, and seven times more than the middle classes; and that, in proportion to income, the upper, middle, and working classes pay somewhat the same amount. There is, however, a material difference that, whereas a great part of the taxation of the upper and middle classes is in the shape of direct taxes and taxes on pure necessaries which cannot be evaded, a great portion of the indirect tax paid by the working classes consists in duties on spirits, beer, and tobacco, from which the prudent and frugal may completely abstain, and thus evade altogether the necessity of paying their quota of the taxation of the empire.

H. sofa - 101 May 1860

The place which any system of direct taxation should take in the United Kingdom is, as we presume, to complete, not to replace, indirect taxation, just as, inversely, we require some indirect taxation to reach those classes of the community which could not be reached by direct taxes. Hence any plan of direct taxation which should embrace the whole population, would be irreconcileable with the present system, and, therefore, unnecessary. We have seen, moreover, the failure which has attended any former attempt at imposing such taxes. Witness the poll tax imposed by Richard II., or that by William and Mary. How strangely was the latter conceived. All persons, except the poor, including such as were not worth 5*l.*, were to pay 1*s.* per quarter. All persons worth 30*l.*, reported as gentlemen, 1*l.* per quarter. Tradesmen and shopkeepers, 10*s.* per quarter. The peers of the realm, spiritual or temporal, 10*l.* each a quarter. Attorneys, proctors, and other officers of the civil and ecclesiastical courts, 1*l.* a quarter. So clergymen, preachers, and teachers of any kind, enjoying 8*l.* per annum. But in all cases Catholics were to pay double. And what sum did such a formidable tax produce? Less than 300,000*l.* Another curious tax was levied on marriages, births, burials. A duke or an archbishop paid 50*l.* on his marriage, and 30*l.* on the birth of his eldest son, and other taxes for other members of the family. A marquis was to pay 10*l.* less than a duke; and so viscounts, barons, bishops, baronets, or knights of the Bath, King's sergeants-at-law, esquires, gentlemen, doctors of divinity, law

and physic, &c. &c. Special taxes were also imposed on bachelors above the age of twenty-five, and upon such widowers as had no children. But the produce of such taxes averaged only 52,000*l.*, of which only 17,000*l.* were accounted for. Taxes of a similar nature have even recently been proposed, such as an extensive licence system on all millers, bakers, butchers, fishmongers, bootmakers, booksellers, printers, drapers, surgeons, &c. &c.

But if a poll tax is inexpedient and unnecessary, not less so we conceive to be a tax on realized property. In our preliminary observations on British wealth it was shown that present estimates give the value of the same at about 6,000,000,000*l.* and the annual income at 600,000,000*l.*; but no means can be suggested to arrive at any exact calculation of such wealth or income for purposes of taxation, and it would be erroneous to consider the whole of that amount as realized property. The 150,000,000*l.* wages of the working classes are not realized. The incomes of public officers, clerks, clergymen, and of all persons living by their industries, are not realized. Moreover, the valuation of property varies constantly. How should we determine the value of agricultural produce, of stock in trade, or of pictures and works of art? By the value assigned to them by the owners, or by public appraisers? Should we take present prices, or the average prices for many years past? An equitable assessment would prove almost impossible, and would give rise to endless disputations.

No better means can, in fact, be suggested for arriving at the value of the national property than by the amount of income therefrom derived; and if there be diffi-

culty in ascertaining such income, much more perplexing and difficult would it be to attempt to fix the value of the property itself. Of course, a tax on income primarily demands of each individual a frank and honest declaration of his resources. Without his co-operation the tax becomes either altogether nugatory, or eminently arbitrary and oppressive. It is because this co-operation has never been obtained in the present income tax that, on the one hand, we have the most barefaced misrepresentation of individual income, and, on the other, bitter complaints of inquisitorial and arbitrary proceedings.

The history of this tax may be briefly stated. The first income tax was imposed by Mr. Pitt, in the year 1798, at a moment of grave exigencies. It consisted of 10*l.* per cent. on incomes of 200*l.* and upwards, and of various rates between 200*l.* and 60*l.* a year. It extended to Great Britain only, and the produce was 6,000,000*l.* In 1803 the duty was fixed at 1*s.* in the pound on incomes of 150*l.* and upwards, and various rates from 1*d.* to 3*d.* in the pound on incomes between 150*l.* and 60*l.* a year. In 1804 an additional duty of one-fourth was imposed on all the above rates; and in 1806, in consequence of the extreme wants for the war, the tax was fixed at 10*l.* per cent. on incomes of 150*l.* and upwards; at which rates it continued till 1815. The revenue from income tax was thus considerably increased, and at this latter period it produced 15,000,000*l.* Immediately on the restoration of peace, the income tax was abolished, and formed no longer a part of the financial system of the United Kingdom, until Sir Robert

Peel re-imposed it with a view of carrying out those great measures of economical reform which so distinguished his ministry. The tax imposed in 1842 consisted of 7*d.* in the pound on incomes of 150*l.* and upwards; and notwithstanding a continuous opposition, it continued in force till 1852. The produce at this rate was about 5,500,000*l.* In 1853 the tax was altered to 7*d.* in the pound on incomes of 150*l.* and upwards, and 5*d.* on incomes from 100*l.* to 150*l.*; and it was then extended to Ireland. In 1854, in consequence of the Russian war, the rate was raised to 18. 2*d.* in the pound on incomes of 150*l.* and upwards, and 10*d.* on incomes from 100*l.* to 150*l.*; and the produce of the tax increased to 11,000,000*l.* In 1855 and 1856 the same tax was raised to 18. 4*d.* in the pound on incomes of 150*l.* and upwards, and 11½*d.* on incomes from 100*l.* to 150*l.*; and the amount increased still further to 16,000,000*l.* In 1857, the war being concluded, the tax was restored to 7*d.* in the pound, and the produce in 1857 was reduced to 11,500,000*l.* In 1858 the rate was reduced to 5*d.* in the pound on all incomes under schedules (A), (C), (D), and (F), and the revenue was reduced to 6,700,000*l.* In 1859 the tax was again increased to 9*d.* in the pound, and the revenue increased to nearly 10,000,000*l.*; and now, in order to meet an immensely-increased expenditure, and to provide for the loss produced by the abolition of Customs duties on many articles, the rate has been increased to 10*d.* in the pound.

The income tax as at present assessed is derived from four sources. First, we have all real property under schedule (A), including lands, houses, tithes, manors, quarries, mines, iron works, fisheries, canals,

railways, gas-works, &c., the whole amounting to upwards of 130,000,000*l.* From this gross amount, however, nearly 10,000,000*l.* are deducted, principally of property exempted as unproductive, land tax, parochial rate, sea-walls embankment, &c. &c.* Objection† has been made that the tax on such property is not assessed on the net annual rent or income derived from such property, but on the gross of rack-rent thereof, without any allowance for the necessary outlays in the repairing and upholding of the perishable parts of such property, or for the losses incurred in various ways in the management.

* The following is the amount of property assessed, under the following heads of schedule (A), for the year ended 5th April, 1858:—

Heads of assessment.	England and Wales.	Scotland.	Ireland.	United Kingdom.
	£	£	£	£
Lands . . .	42,684,577	6,254,218		
Messuages . . .	47,438,766	4,703,733		
Tithes . . .	209,960			
Manors . . .	203,479			
Fines . . .	218,363	2,276		
Quarries . . .	366,801	49,007		
Mines . . .	3,485,150	337,219		
Ironworks . . .	1,249,531	641,469		
Fisheries . . .	17,959	50,086	Cannot be distinguished.	
Canals . . .	802,765	70,179		
Railways . . .	10,450,401	1,246,592		
Gasworks . . .	843,060	112,958		
Other property	1,860,290	267,794		
General profits	147,163	73,790		
	109,978,265	13,809,321	12,826,739	136,614,325

† The principal objections to the present assessment of the income tax were elicited by the Committee of the House of Commons in 1852, and were specially embodied in the draft report by the late Mr. Joseph Hume, M.P.

So, in certain cases of fines of manors, or of leases renewable for terms of years, the copyholder and leaseholder, who have partial interests only in the property, are taxed on its full value, which is defined to be the rack-rent at which the lands are worth to be let by the year; they have no right, by the act, to deduct the tax chargeable on the lord of the manor or the landowner, who is also taxed on the amount of his fines. Neither have life-tenants, or tenants for short terms, the right of recovering the proportion of the tax justly chargeable on the persons in possession of the reversion; and where large, lasting improvements are effected by tenants for limited terms, they are taxed upon the full value of the property which belongs to the landlord at the termination of their tenancy.

And in respect to property in houses, the injustice of the assessment is greater than it is in respect to lands, as the rent of houses includes not only the profit of capital, but a part of that capital, which, for the upholding of the building, in certain classes of houses, constitutes a considerable portion of the rent; and no allowance is made for the loss of rents, for insurance, or repairs.

As regards property in canals, docks, railways, and other works, as well as in mines and quarries which may be exhausted, the assessment is unjust, as the tax is in many cases levied not on the profit only, but also on the sale price of a part of the capital; and also on that part of the dividends which in speculative undertakings can only be considered in the light of a premium of insurance against the risk of loss of capital. This is clearly shown by the sale value which such stock has in the market.

The second branch of property assessed is the profits of occupiers of land, farmers, &c., under schedule (B), amounting to nearly 52,000,000*l.* From this sum, however, deduction is first made of one-eighth per cent., and also of upwards of 15,000,000*l.* of property exempt, as unproductive, as houses unlet, &c. It is singular that, of nearly 700,000 persons assessed under this schedule, only about 280,000 are charged. These profits of occupiers of land, tenements, &c., are calculated according to the value or rack-rent in the proportion of 7 to 14 in England, and 5 to 14 in Scotland. The rent is a variable proportion of the value of the produce, and, in the absence of more direct information, may be made the basis of a loose estimate of the profits in particular cases; but it is erroneous to assume that in arable and pasture and other farms the profit in the various parts of Great Britain is in these invariable relations. An appeal is, however, granted where the person assessed can show that the profit is less than is charged in the assessment.

The third source consists of profits from annuities, dividends, and shares of annuities paid out of the public revenue. The amount so assessed and charged under schedule (c) was 29,500,000*l.* Objection is made that under this schedule several classes of the public creditors are assessed unequally and unjustly. Whilst the holders of the 3 per cent. annuities in perpetuity are assessed upon the profit or interest, the holders of life and terminable annuities are taxed upon the annuity paid, including in fact the interest of the capital, and a part of the capital itself.

The income assessed under schedule (d) embraces all

profits or gains arising from any profession, trade, employment, or vocation, and is charged on 275,000 persons. Of these, 150,000 are assessed for incomes between 100*l.** and 150*l.*; about 100,000 for incomes between 150*l.* and 500*l.*; 14,000 for incomes between 500*l.* and 1000*l.*; and 11,000 for incomes above 1000*l.*: the total amount of property assessed under the schedule being 90,000,000*l.* But why limit the application of the tax to incomes by salaries, and exclude incomes by wages? A very large number of skilled workmen are now enjoying incomes higher in amount than those of clerks in mercantile and public offices. We may not be wrong in estimating that nearly 700,000 or 900,000 workmen, having a total income of about 75,000,000*l.*, might thus safely be brought under the provision of the tax. Another question connected with this kind of income is the propriety of taxing, not the income itself, but its intrinsic value at so many years' purchase,

* Bentham suggested that we should leave a certain minimum of income sufficient to provide for the necessities of life untaxed. Suppose 100*l.* a year to be the minimum to provide the requisites to maintain life and health, the tax should be levied not on the 100*l.* but on the surplus. If the income be 120*l.*, the sum taxed should be 20*l.* and not 120*l.* But there are many objections to such a mode:—First, if the principle be that the superfluity alone should be taxed and not the whole means, we would require to fix different scales of necessities for different families, according to number and status in society. What is a superfluity for one is a necessity for another. If it be proposed to exempt from the income tax the recipients of sums little exceeding actual necessities, it may be answered that, in many cases, such persons are less taxed than other classes of the community. Whilst a workman receiving so many shillings a day wages usually smokes and drinks, the foreman is generally frugal and saving. And as such persons do not pay much for taxes on wine, spirits, and tobacco, it is well to equalize the system of taxation by levying the income tax on the whole of these limited incomes.

having regard to age, state of health, &c. &c. Doubtless all incomes derived from the exercise of industry and skill are subject to the contingencies of business and the continuation of health, whilst with death all labour and income must inevitably cease. Such incomes are, in fact, in the nature of life annuities; and just in proportion as we subject our constitution to the wear and tear of constant toil and anxiety, so the time during which we may hope to enjoy the fruits of our industries is lengthened or shortened. Hence the justice of charging a lower rate of tax on income of so precarious a character than on those which are derived from land, consols, &c.

The fifth class, under schedule (E), includes incomes from all public offices, and annuities, pensions, or stipends, amounting in all to 18,000,000*l.* These, numbering 91,000 persons, are subject to the same contingency of continuance of health and the maintenance of their intellectual faculties.

The injustice of taxing all kinds of incomes at equal rates will be best appreciated when we consider the saleable value of different kinds of property. Thus, whilst 1000*l.* a year in consols represent a capital of 33,333*l.*, 1000*l.* a year in annuities will only represent 7000*l.*, and 1000*l.* a year in houses, 16,000*l.* A capitalization of these various sources of income, by calculating the sale price of the interest of each individual in his real or personal estate, is necessary with a view to a just and equitable assessment. The capitalization of all industries would be extremely difficult, and in its results it might prove

perhaps much more objectionable than the present system. But it would be easy to effect it with respect to property of known valuation. Thus, for example, 50,000,000*l.* land, at 30 years' purchase, represent 15,000,000,000*l.*; 50,000,000*l.* houses, at 16 years' purchase, represent 800,000,000*l.*; and 22,000,000*l.* of other property, railway, canal, &c., at 20 years' purchase, represent 440,000,000*l.* Supposing the capitalized amount to reach 5,000,000,000*l.*, a small percentage of 1*l.* or 1*l.* 10*s.* will produce the average amount now obtained from this source of taxation, and by a much more equitable assessment than the present.*

The net produce of this tax since 1843 has been as follows:—

Years.	Property assessed.	Revenue.
1843-1846	£248,000,000	£5,450,000
1847-1850	256,000,000	5,620,000
1851-1854	272,000,000	6,060,000
1855-1858	309,000,000	11,160,000
1859		9,666,000

* Mr. John Stuart Mill suggests that, if we capitalize the incomes, we should also capitalize the payments. If it be unjust to pay the same tax on an annuity worth 150*l.* as upon an annuity worth 300*l.*, we should also remember that the tax on the 300*l.* is in perpetuity, and the tax on the 150*l.* is only for a number of years. Supposing the income worth 300*l.* a year to pay an income tax of 10*l.* in perpetuity, and the income worth 150*l.* to pay also 10*l.* tax during a certain number of years, the former will be equivalent to 300*l.* and the latter to 150*l.* only. This is true; but the real injustice will still remain in the fact that, while the terminable annuitant must endeavour, as long as it continues, to save something for his children, or others, the owner of permanent or heritable property always preserves the original fund intact.

CHAPTER XXII.

ASSESSED TAXES.

SECTION I.

TAXES ON LAND.

THE land-tax dates from a very remote period. Long before industrial resources assumed a conspicuous place in the sum total of national wealth, the owners of the soil had an interest in the preservation of the country from foreign depredators, and from internal marauders, which demanded the armed force of a settled government to repress and to curb. In return for such protection, the landowner gave men for the militia and for war; but from such a duty he was released by the payment of a land tax, which was uniformly imposed during the reigns of Richard I., Henry II., and Charles, as well as during the Commonwealth.

In the reign of William III. this tax was at the rate of 4*s.* in the pound upon all real estate, hereditaments, offices, and pensions; but every city and county having been allowed to assess itself without almost any control upon their proceedings, the utmost irregularity prevailed in the assessment. Those in favour of the existing government were liberal in their valuation, but those hostile made no scruple in assessing themselves at

the lowest possible amount. This tax, at the same rate of valuation as at first imposed, continued for a lengthened period to be annually voted by Parliament. In 1798 Mr. Pitt made the impost perpetual, leaving it optional, however, upon the landholder to redeem or purchase the tax upon transfer to the Government of a consideration to be estimated in each case at so much stock in 3 per cent. consols as would produce a dividend exceeding by one-tenth the amount of the land redeemed, the land to be valued at twenty years' purchase. In 1853 Mr. Gladstone gave further facilities for the redemption of the tax by reducing the price of redemption $17\frac{1}{2}$ per cent. Under these acts a considerable portion of the land tax was redeemed, and the amount now received little exceeds 1,000,000*l.* It will be observed that whatever remains of the old land tax is based on the valuations of land made as far back as 1692, a valuation wholly inapplicable to the present value of land.* Indeed, the burden has become so trivial as not to be

* To show the complete fallacy of the rate of valuation of 1692, we may compare that rate with the present valuation of real property assessed to income tax in certain towns:—

	Amount of land-tax on land & tenements according to the assessments of 1692 and 1798 still adhered to.	Real property assessed to property-tax in 1858.
London :—		
City	£ 87,056	2,096,000
St. Pancras	1,399	3,115,000
Marylebone and Paddington	1,018	2,970,000
Leeds and suburbs	1,057	671,000
Manchester	1,106	2,840,000

considered worth the trouble of redemption. The land tax may be considered as merged in the property tax, and in our present financial system we should impose no tax which does not likewise bear on all classes of the community.

The produce of the land tax within the last sixty years has been as follows :—

1798	£2,037,627
1803	1,506,000
1811	1,333,432
1821	1,281,335
1831	1,167,167
1841	1,218,576
1851	1,147,492
1859	1,131,768

SECTION II.

TAXES ON HOUSES.

A HOUSE tax is, in many respects, an equitable and convenient method of taxation. When first introduced in 1696 it consisted of 2*s.* for every inhabited house, and 4*s.* additional taken according to the number of windows. Subsequently the house and window tax were separated, and the house tax was thus charged in proportion to the rental of the house.

After various changes and a temporary repeal, the house tax was again reinstated in 1851 at the rate of 6*d.* in the pound on every inhabited house worth the

rent of $20l.$ a year or upwards, if occupied for the purposes of trade, or by a person licensed to retail beer, spirits, wines, or other liquors, or as a farm-house; and $9d.$ in the pound if occupied in any other manner. Under this tax, which extends to Great Britain only, there are taxed 128,000 shops or warehouses of the annual value of $6,100,000l.$; 48,000 beer-houses of the annual value of $2,160,000l.$; 22,000 farm-houses, of the annual value of $516,000l.$; and 307,000 dwelling-houses, of the annual value of $15,000,000l.$ The number of dwelling-houses thus charged forms but a small proportion of the number of houses in Great Britain, when we consider that in 1851 there were as many as 3,670,000 inhabited houses. The reason, however, is that by far the largest number of houses are under $20l.$ rent, many of which are tenanted by persons who should not be exempted from a general system of taxation. The poor-rate is imposed upon houses of $6l.$ rent, and the gross estimated rental in Parliamentary cities and boroughs in England and Wales, upon which the rate is made, was in 1856 $31,000,000l.$, which, deducting 20 per cent., gave a rateable value of $26,000,000l.$ This was, however, exclusive of counties. Should even $10l.$ be taken as the limit for the house tax, the produce might, perhaps, be more than double the present amount. A considerable improvement is taking place in the habitations of the working classes, and extensive buildings, full of comfort, and exceedingly neat and cheerful, are erected for them at moderate rents. The tenants of these houses are skilful workmen, enjoying wages often as high as $2l.$ to $3l.$ a week; and as they are in most

cases the most frugal and temperate among the working classes, they are at present the most lightly burdened, tax-payers of the whole community. To bring these houses under the duty would fill up a gap in the present system of taxation.

SECTION III.

TAXES ON SERVANTS.

A TAX on servants was first established in 1777. At first the tax was uniform at 1*l.* 1*s.* upon every male servant, except those kept for agriculture. And with 5 per cent. additional imposed in 1783, so it continued till 1785. In that year, however, the tax was greatly extended : and a difference was made in proportion to the number of servants kept. A person keeping one servant paid 1*l.* 5*s.* each ; one keeping three or four servants paid 1*l.* 15*s.* each ; and a person keeping eleven servants and upwards paid 3*l.* each. But another remarkable difference was made between bachelors and not bachelors, the former paying nearly double rates, on the supposition, perhaps, that servants in families are less a superfluity than with bachelors. For a little time a tax on female servants was also imposed in 1785, making the same difference between bachelors and not bachelors ; but the tax was repealed in 1792. In 1803 taxes were first levied on persons having under and occasional gardeners ; and on merchants and traders keeping travellers or riders, clerks, bookkeepers,

and office-keepers; shopmen, warehousemen, or porters; waiters in taverns; persons employed by stable-keepers, in husbandry or trade, coachmen, grooms, and postilion guards. These various taxes produced a handsome revenue, amounting in 1819 to as much as 600,000*l.* Some of these taxes, however, were repealed in 1833, and others in 1854, when the present rates were imposed of 1*l.* 1*s.* for men servants of the age of eighteen years or upwards, and 1*os.* 6*d.* under the age of eighteen years, and 1*os.* 6*d.* for servants employed as under-gardeners and under-gamekeepers. Under this tax there are at present about 230,000 servants charged, producing a revenue of 200,000*l.*

The tax on hair-powder produces only a trifling sum, hair-powder being now exclusively used by servants of titled peers. No better illustration could be afforded of the gradual extinction of such a custom than the fact that this tax, which in 1796, at 1*l.* 1*s.* per annum, produced 210,000*l.*, now, at 1*l.* 3*s.* 6*d.* per annum, produces only 1300*l.* So small an amount, coupled with the almost total abandonment of the practice, scarcely justifies the maintenance of the present tax.

SECTION IV.

TAXES ON CARRIAGES, HORSES, AND DOGS.

TAXES on carriages and horses, though in a great measure taxes on luxuries, directly affect a branch of national industry. During the French war, and for a considerable time afterwards, persons keeping four-wheeled carriages were charged at the rate of 12*l.* to 16*l.* for each carriage. Since 1844, however, the rates have been greatly diminished, the duty being now 3*l.* 10*s.* for every carriage with four wheels drawn by two or more horses; 2*l.* if drawn by one horse, and lower rates for other kinds of carriages. The total number of carriages charged in 1858 was 244,000, exclusive of hackney, stage, and other carriages exempted; and the revenue amounted to upwards of 300,000*l.* The tax on horses also produces the handsome sum of 235,000*l.* per annum. Not less than 290,000 horses not for trade, and 236,000 for trade, are now charged with duties, horses used for riding or drawing carriages paying 1*l.* 1*s.*, and those kept by farmers, bailiffs, rectors, Roman Catholic priests, physicians, surgeons, or apothecaries paying 10*s.* 6*d.* each per annum. The large number of 440,000 horses is exempt from the tax, including those used solely in husbandry, or kept for drawing stage or hackney carriages, or by military officers. The tax on dogs, at 12*s.* each, produces 195,000*l.* The other assessed taxes are taxes on armorial bearings, which produce 55,000*l.*, and game duty, producing 145,000*l.*

CHAPTER XXIII.

CONCLUDING OBSERVATIONS ON TAXATION.

IN reviewing the facts and reasoning in connexion with the various taxes which we have enumerated, the following summary conclusions may be offered. First, that, having regard to the vast and increasing resources of the United Kingdom, it does not appear that the present amount of taxation practically hinders the full development of national wealth. The present amount of taxes absorbs little more than 10 per cent. of the national income, leaving a superabundant sum for other sources of expenditure and for accumulation. Should any emergency therefore arise requiring sacrifices of unusual magnitude, the nation is well prepared to meet it.

Secondly, we may safely assert that a considerable approach has been made towards the equitable distribution of taxation in the United Kingdom, and that such equitable distribution will be further promoted by a more accurate knowledge of the condition and habits of the different classes of the community. The upper and middle classes are taxed in full proportion to their number and income. The working classes are exempt from a great part of the public burdens, and they have certainly no reason to complain of the amount of

taxes now imposed on them. On the contrary, whilst they share to the full in the protection afforded by the State, and in the privileges of British nationality, they contribute considerably less to the Exchequer than what political justice would dictate.

Thirdly, it would be inexpedient to alter materially the present method of obtaining the public revenue by means of direct and indirect taxes, inasmuch as to raise the whole amount of 70,000,000*l.* of revenue by direct taxes would prove most inconvenient to the people, and most embarrassing to the Government. The proportion of direct to indirect taxes may, however, be somewhat altered in favour of direct taxes ; and the income and property tax, subject to some essential improvement in the mode of assessment, must form a permanent source of the public revenue.

There are other sources of revenue which, being not derived from taxation, do not properly enter into the scope of this work. The Crown lands produce an annual revenue of about 300,000*l.*, and about 1,500,000*l.* is obtained from the sale of old stores, unclaimed dividends, &c. &c.

We shall now consider how this large amount of taxation, gathered from so many sources, and on the whole with so much fairness, is annually spent for national purposes. The principal functions of the State are administrative. The nation intrusts to the State a certain sum annually to be spent on national objects, and the State administers it in the form and manner as it is appropriated by the Legislature.

BOOK II.

CHAPTER I.

NATIONAL EXPENDITURE.

THE national expenditure can seldom be regulated by the amount of national income. It is the expenditure which determines the income, and not the income the expenditure. Like an individual, the State has a political existence to sustain, its honour and position to defend, the interests and welfare of its subjects to secure, dangers from without and within to repel, calamities to avert or to remedy, and often great sufferings to alleviate. The life-springs of the body politic need daily sustenance, and cannot be left contingent on a precarious supply. Hence, indeed, the idea of a consolidated fund, a first charge on the resources of the nation, for that part, at least, of the national expenditure which is quite beyond the control of the existing government.

If we analyse the public expenditure of the country, it will be found that but a small proportion of it is devoted to the administration of justice, to the protection of life and property, to the promotion of education, science, and religion, and to the maintenance of other objects and institutions in unison with the position and

claims of the nation in what truly constitutes the glory and ornaments of civilization.

Nearly fifty per cent. of the total amount expended goes for the army, navy, and ordnance, and thirty per cent. more to the payment of the interest of the public debt; so that, between the legacy of past misdeeds and the excesses of present exigencies, our military expenditure monopolizes the best part of our public funds. The position and attitude of foreign powers, their immense armies, their hostile acts, and their threatening movements, are, moreover, causes of constant additions to our expenditure. And we need not wonder that, with so many defenceless colonies and possessions scattered all over the world, with such gigantic interests to protect, and with so many obligations to sustain the falling fabric of European politics, we are so frequently in danger of war or are involved in actual war. Yet war is a great calamity. It is the corroding cancer of national wealth. It impedes and often destroys the best channels of industry and prosperity; brings to nought the wisest schemes of the political economist; disturbs the proper balance of taxation; enhances the cost of provisions; silences the hammer and the anvil; cools the smelting furnaces; closes factories, and causes millions of industrious labourers to leave the workshops for the alluring grasp of the recruiting sergeant.

In looking back to the revenue and expenditure of the United Kingdom since the year 1793, when the French Revolution burst out, the financial picture presented to us is one of surpassing wonders. From

that eventful year to the conclusion of the war in 1816, a period of twenty-two years, the actual deficiency amounted to upwards of 430,000,000*l.*, or nigh 20,000,000*l.* per annum. From 1816 to 1836, a period of twenty years of uninterrupted peace, we had a total surplus of nearly 40,000,000*l.*, or 2,000,000*l.* per annum. From 1837 to 1853 inclusive, a period of seventeen years of peace, but of great financial changes, we had a total surplus of about 10,000,000*l.*, or 600,000*l.* per annum. From 1854 to 1859, we have had wars in Russia, Persia, and China, and the mutinies in India, and, consequently, we had a surplus expenditure of 35,000,000*l.*, or nearly 6,000,000*l.* per annum.

The amount of our expenditure has not materially increased within the present century. In the first decennium, 1801-1809, our average expenditure was 63,000,000*l.*, and in the following one, 1810-1819, it had increased to 78,000,000*l.*, or upwards of 23 per cent. Then we reduced the amount in 1820-1829 to 52,000,000*l.*, or 20 per cent. less; and still further we reduced it in 1830-1839 to 46,000,000*l.*, or 10 per cent. But in the decennium 1840-1849 the average increased to 51,000,000*l.*, or 9 per cent.; and since then, 1850-1859, the amount rose up to 61,000,000*l.* Every source of the public expenditure is constantly widening its sphere. Public salaries, and the pay of our soldiers and sailors, are in many cases insufficient. The expenses for our civil services are also expanding considerably; and we see no chance of a diminished expenditure, except in the dispersion of the many clouds in the political horizon. We should long to see a

determination on the part of all nations to lessen simultaneously, or otherwise, their national armaments, and we look forward with anxiety to the time when we shall realize such a recognition of popular rights and rights of civilization and progress within the principal European States as will lessen the chances of constant turmoils and revolutions. We trust such hopes are not altogether chimerical. International relations are, it is true, far from being cordial ; yet nations have learnt by sad experience to deprecate the destructive effects of war, and a much greater readiness is generally evinced to refer national disputes to arbitration. The possibility of a continuance of peace is at the threshold of any financial system, and we may be sure that, under the hurricane of necessities which war introduces, no economical scheme and no saving are of the least avail.

The following is the progress of the national expenditure in the nineteenth century :—

Years.	Decennial average.
1800-1809	£62,950,676
1810-1819	77,700,580
1820-1829	51,794,392
1830-1839	46,536,974
1840-1849	51,180,794
1850-1859	61,474,075

CHAPTER II.

ROYAL EXPENDITURE.

TO provide for the proper maintenance of the Crown is one of the first duties in a limited monarchy. There was a time when the Sovereign was the largest lay proprietor, and when the revenue of the Crown consisted of hereditary property and royal perquisites. No community of interests then existed between the governor and the governed, nor any relation other than of power and subjection. Happily a better era has dawned in our constitutional history, and if the Crown has lost some of its ancient prerogative and its revenue has been made dependent on parliamentary grant, the Sovereign has gained much in the devotion and affection of the people.

Considerable changes have taken place in the amount and appropriation of the civil list since the Revolution of 1688. The amount then allotted for the expenses of the Sovereign was about 700,000*l.* per annum ; but out of this sum the King was expected to pay not only the whole of the household expenditure, but the salaries of the ambassadors in foreign courts, and those of the Secretaries of State. At the commencement of the reign of George III. the amount of the civil list was 898,000*l.* including, besides other disbursements, 192,000*l.* for

the pensions and allowances of the Royal Family, 138,000*l.* for approved bills for his Majesty's service, 126,000*l.* for pensions, 90,000*l.* for menial servants, and 245,000*l.* for other salaries and occasional payments. In 1802 the total amount of the civil list was 1,000,000*l.*, of which 348,000*l.* was the sum paid to all the branches of the Royal Family. In process of time all the salaries and pensions were detached from the civil list or dotation of the Crown ; and soon after the accession of Queen Victoria, in June, 1837, inquiry was made into the civil list expenditure. It having been then ascertained that such expenditure had amounted, in the preceding year, to 385,000*l.*, that sum was settled to be the future annual grant 'for the support of her Majesty's household, and of the honour and dignity of the Crown of the United Kingdom of Great Britain and Ireland,' this sum including 60,000*l.* for her Majesty's privy purse, 131,000*l.* for household salaries, 172,000*l.* for tradesmen's bills, besides royal bounties, pensions, &c. The amount of pensions, however, which was originally fixed at 1200*l.* per annum, has now swollen to a considerable sum, amounting to about 19,000*l.*; and in the year ended 31st March, 1859, the total sum appropriated to the civil list was 403,285*l.* It would be quite ungracious to inquire into the several items of the civil expenditure of the Crown. The dotation is cheerfully and heartily paid, and no sacrifices would be deemed too great which would contribute to the happiness of a Sovereign so pre-eminently distinguished for her wise and benignant rule, for the most endearing and attractive graces, and for her domestic and social virtues.

But the expenditure for the maintenance of the honour and dignity of the Crown is not confined to the sum included in the civil list. On the marriage of her Majesty in February, 1840, an annuity of 30,000*l.* was granted to his Royal Highness Prince Albert. Other members of the Royal Family receive also considerable sums, amounting in all to 100,000*l.* per annum, exclusive of the annuity granted to the King of Belgium, the greatest part of which is repaid to the Exchequer; and if we add the revenues of the Duchy of Cornwall and of the Duchy of Lancaster, producing together other 60,000*l.* per annum, it will be found that the entire expenditure connected with the Royal Family amounts to little short of 600,000*l.* per annum, exclusive of such votes as the 40,000*l.* granted as a marriage portion of the Princess Royal, the maintenance of royal palaces, gardens, &c.

The civil list expenditure of the Queen of England, however, bears a favourable contrast with that of other European Sovereigns. The dotation of the Emperor of France and of his household costs not less than 1,000,000*l.* The household expenditure of the Emperor of Austria exceeds 650,000*l.*, and the civil list of Spain amounts to 330,000*l.*

CHAPTER III.

DIPLOMATIC SALARIES.

THE income of our ambassadors and ministers must, to a great extent, be influenced by the character of the court at which they are accredited, and by the position and rank with which they are invested. In all cases it is of the utmost importance that the accredited representative of the British Sovereign in foreign countries should receive ample and liberal emoluments. In direct contact with the Sovereign and ministers of independent States, and called upon to afford assistance and hospitality to British subjects abroad, our ambassadors are required to be liberal if not sumptuous, in their residence and personal expenditure. Still it is impossible not to recognise a somewhat extravagant expenditure under this branch. There are at present not fewer than seven ministers in the German States, involving an annual expenditure of nigh 31,000*l.* A committee of the House of Commons has suggested that a single mission at some central point in Germany might be substituted for them without detriment to the public service. Nor is there any need of maintaining three missions in Italy. No injury was experienced from the withdrawal of the mission from the Two Sicilies, and it is to be regretted that the same has been

restored. The mission in Tuscany has now been merged in that of Sardinia. One minister for the whole of Italy may be amply sufficient.

Having regard to the increased cost of living in the Continental States, and to the regard so universally paid to etiquette and luxury, it may not be practicable to reduce materially the salaries of our ambassadors. Let us remember, however, that, whilst the American minister in Great Britain receives 3600*l.*, the British minister in the United States receives 5200*l.*; and whilst the American minister in France receives 3100*l.*, the British minister there receives the enormous salary of 10,000*l.* We should prefer seeing our diplomatic agents distinguished for their simplicity and frankness of relations rather than by their gorgeous attire or splendid retinue.

The salaries and pensions of the diplomatic service amount to 160,000*l.* per annum; but this is not the entire expenditure. We have spent in the present year 40,000*l.* for special missions abroad, including 11,500*l.* for the mission of the Earl of Elgin to China, 8500*l.* for three separate commissions appointed for carrying into effect the Treaty of Paris of 1856, and 18,000*l.* more for the outfit of diplomatic officers on appointment. For example, the outfit of Sir H. L. Bulwer, as her Majesty's Ambassador to the Sublime Porte, amounted to 2700*l.*, and the outfit of Lord Augustus Loftus, as her Majesty's Envoy and Minister to the Emperor of Austria, 2500*l.* Nearly 40,000*l.* more are spent for extraordinary disbursements of the embassies and missions, on postage, couriers, interpreters,

fêtes, &c. The diplomatic service consists of two ambassadors, having a salary of 17,000*l.*, and twenty-three ministers having collectively 97,000*l.*; one Oriental secretary, 500*l.*; twenty-three Secretaries of Legation, 12,900*l.*; twenty-nine paid attachés, 9110*l.* and eight chargés d'affaires and consuls-general, 5850*l.*

CHAPTER IV.

CONSULAR SERVICE.

THE consular institution is one of ancient origin. When the Italian republics first opened their trade with the Eastern empire, and risked their ships amidst barbarous and uncivilized people, they found it necessary to send functionaries invested with an authoritative character to watch the interests of their merchants, and to act judicially in all cases of dispute. From the Mediterranean republics the institution of consuls was extended to other countries throughout Europe; and as early as in 1485 we find that Richard III. appointed Lorenzo Strozzi to be consul of the English merchants at Pisa and in the adjacent countries, with authority to determine all disputes between English subjects therein.

In progress of time, however, before the middle of the seventeenth century, under the influence of civilization and refinement of manners, with the general recognition of national independence and the improvement of municipal law, the ex-territorial jurisdiction, both criminal and civil, of the consul was altogether refused, and foreign subjects in European States were admitted to be within the jurisdiction of the territorial authorities. The mediæval institution of consular juris-

diction, under the influence of these causes, entirely changed its condition and character, and shrank into a general vigilance of the consul over the interests of the shipping and navigation of his nation. In Mohammedan and Eastern countries, however, the European States have retained, by virtue of express stipulations in treaties, the *jus gentium* incident to accredited ministers, together with the especial prerogatives of jurisdiction.

The consular service of the United Kingdom consists of 23 consuls-general, upwards of 161 consuls, and a large number of vice-consuls and interpreters, whose united salaries, including outfits, postages, &c., amount to about 170,000*l.* There are also consular establishments in China, Japan, and Siam, which cost the additional sum of 63,000*l.* per annum. Considerable attention has been given of late to improve the efficiency of the service, and a committee of the House of Commons has recommended a diminution of the present number of vice-consuls in Europe; the organization of the service into separate classes; the appropriation of all fees to the public account, and the prohibition of all consuls to engage in trade, or to accept commercial agencies; and such a revision of the salaries and emoluments of the consular service as will place them in circumstances consistent with the importance of their duties. To this recommendation the committee were led, not so much from very absolute insufficiency in the scale of salaries now paid, but from the altered relation in the value of such salaries to the increased cost of all commodities in every country. ‘The salaries,’ said the committee, ‘fixed many years ago, on no excessive scale, have been

really diminished in value by independent circumstances to an extent which at present renders them a completely false representation of the profits of consular office in different quarters of the globe.' Mr. Hammond, Under Secretary of State for Foreign Affairs, stated that the increase of prices in all foreign countries has of late years been very great, while no equivalent relief has been given to our consuls beyond some slight assistance to meet those office expenses which previously came out of their receipts. Mr. Calvert, her Majesty's consul at the Dardanelles, reported that the expense of living at the Dardanelles is in many articles trebled, and in some quadrupled, from what it was when he entered the service. Mr. Yeames, late consul-general at Odessa, bore testimony to the total disproportion in the cost of food, fuel, and house-rent in Odessa, compared with that which existed at the time he was first sent there, and when he was in receipt of a higher stipend than when he left it thirty-five years afterwards. Mr. Holmes, her Majesty's consul at Diarbekir, estimated the rise of prices in almost every part of the East at threefold in the course of the last six years. The expense of living at Rio was almost doubled during the twenty years of Mr. Hesketh's residence there. Mr. Usher, her Majesty's consul-general at Hayti, gave nearly the same evidence with regard to St. Domingo. In Germany Mr. Ward, her Majesty's consul-general at Leipzic, rated the increase of the prices of all the necessaries of life at least from 40 to 50 per cent., and regards his salary as not worth more than half what it was at the time it was fixed. At Marseilles Mr. Turn-

bull recorded the gradual augmentation of all the means of subsistence, and especially of house-rent, during his employment there, till it had become impossible for a consul to live decently on the sum allotted to him; while at Havre Mr. Featherstonhaugh asserted that he has maintained the respectability of his position for several years out of his private income. Such was the universal testimony as to the increased cost of commodities and house-rent in all countries, &c.; and the same experience might be produced regarding this country, a fact of considerable importance in calculating the future range of salaries in all offices.

The duties of consuls in foreign ports are often exceedingly delicate, and by their vigilance and ability they may render important services to trade and navigation. It is therefore highly desirable to place their salaries on a liberal scale. The consuls are to commerce what ambassadors and ministers are to diplomacy; and it will not be any real saving to the country if, owing to the low scale of salaries, our consuls are not able to devote their exclusive attention to the responsible duties of the service.

CHAPTER V.

THE ARMY EXPENDITURE.

NOTHING could illustrate more conclusively the contagion of foreign influence over our habits, manners, and opinions than the altered tone of public feeling respecting the army. There was a time when the idea of a standing army, associated as it was with despotism, caprice, and privilege, was abhorrent to the English mind. The Bill of Rights expressly declared that the raising or keeping a standing army within the kingdom, in time of peace, unless it be with the consent of Parliament, is against law; and for a long time no army of any importance was maintained in the British Isles. Charles II. kept up about 5000 regular troops as guards. The army of Queen Anne consisted of 7000 in England and 3000 in Scotland, and the entire charge, in 1685, was only 290,000*l.* Gradually, however, as we merged in European politics, the mind of the nation became familiarized with large armies. At the conclusion of the peace with America, the British army was 40,000, and at the peace of Amiens, 75,000. During the war of the French Revolution, when a great force was required for the colonies, the home army was strengthened by a considerable force of volunteers, numbering 460,000, and nearly 100,000 of embodied

militia. This number, however, was greatly reduced even during the wars with Napoleon; and in 1815 the home army was 130,000, and the militia and volunteers 135,000. Since then the British army, in time of peace, has averaged 100,000, the half of which are wanted for the defence of the colonies, and the other half for the home service. In the present year the number voted is 143,000.*

The army expenditure has of course kept pace with the numerical force. Prior to the French war, the sum voted for the army and ordnance amounted to 12,000,000*l.*; from 1803 to 1815 inclusive it was 28,000,000*l.*, the maximum in 1815 having been 43,000,000*l.* From 1816 to 1853 the average was 8,500,000*l.* From 1854 to 1856, in consequence of the Crimean war, the sum was augmented to 20,000,000*l.*; and since then the expenditure has been between 13,000,000*l.* and 14,000,000*l.* In the present feverish state of public opinion respecting national defences it seems almost idle to draw attention to the enormous sum now spent for the army. We should remember that so long as nations rival one another in the increase of their armies and navies, they add nothing to their relative strength. The maintaining of large standing armies is often of itself productive of wars. ‘An armed and fortified peace,’ said Michel Chevalier, ‘is war. The day on which the people have acquired a knowledge of their interests, they will consider as their most dangerous

* This number does not include the Indian army, for which there are provided 92,000 men. In 1857 the total army of India was 45,000 Europeans and 233,000 native troops.

and inveterate enemies, in whatever colour they may be clad, the men who stand up as apologists of large standing armies; who, under some pretext or other, feed the fire of national enmities; or who, with their mouths full of false patriotism, strive to excite a feeling that the interests of nations are opposed to one another.' We should have pity for those States whose only means of maintaining peace and order are standing armies ready to overawe the people; and should have contempt for a sovereign who, by the aid of physical force, succeeds in curbing the aspirations of a people, and in depriving them of their most sacred rights and privileges. But it is egregious folly to pursue a policy so injurious to our best interests. Let us give heed to the cost of such armies, to the loss they entail of property and human life, and to the abstraction of so many men in the prime of life from agriculture, commerce, and the arts. We should ever remember the words of Sir James Mackintosh, that 'small peace establishments, old English liberty, a people fearlessly discussing all principles and measures of Government, a House of Commons jealous of the power of the sword, tenacious of the power of the purse, have given these islands happiness and greatness.'

The present army expenditure, though large in the aggregate, is, we fear, scarcely capable of much reduction. Nothing certainly can be taken from the pay and allowances. The entire expenditure for the effective army represents an average cost of 90*l.* per man. The average pay of the general staff is about 350*l.*, of the commissariat, 250*l.*, and of the medical, 215*l.* The

average pay, exclusive of military allowances, of non-commissioned officers is only 38*l.*, and of the rank and file, 20*l.* per annum. The ordinary wages of privates are indeed but poor compensation for a life of hardship and danger undertaken on behalf of the country. At a time when the demands for labour and industry are so numerous and pressing, and when the gold diggings in Australia, the backwoods of the United States, and the vast fields of Canada, side by side with our farms, our mines, and our factories, are outbidding each other for labourers, far higher, indeed, must be the prize and reward offered ere the military profession can invite even the refuse of the people. Nor are other ranks in the army better rewarded, when we consider the hard conditions at which commissions are obtainable, and the little chances of promotion when left to pure merit, irrespective of privilege and purchase. The army expenditure is spread over a thousand channels, and any economy to be effected must depend on the care of the administration of the various funds, and above all, on the discretion and wisdom exercised by those who hold the reins of the State.

The following is the amount of army, ordnance, and commissariat expenditure since 1801:—

1801	£20,000,000
1810	28,000,000
1820	10,000,000
1830	8,600,000
1840	8,500,000
1850	9,000,000
1860	15,000,000

CHAPTER VI.

THE NAVY EXPENDITURE.

THE national defence of Britain is more especially entrusted to those magnificent vessels which, like armed towers, swiftly cross the ocean, and are able to bring war and destruction to the farthest shores. Deficient in many respects in her armies, as compared with the leading Powers of Europe, it is on the sea that the strength of Britain principally rests, and though met by the strenuous efforts of France to increase her naval forces, and of the United States to excel in her tonnage of merchant ships, Britain has always succeeded in maintaining her position as the greatest naval power in the world.

The progress and achievements of the British Navy date from a very early period. During the war with France and Spain, which ended by the treaty of Paris in 1763, the British navy consisted of 412 ships, of which 133 were ships of the line. The average number of seamen was about 70,000, and the amount voted as much as 5,000,000*l.* But in the ten years' peace which followed, our naval forces suffered great reductions, and the sum voted in 1775 was only 1,700,000*l.* This was the lowest amount ever voted for the navy. The wars with France, America, Spain, and Holland, which

commenced in 1774 and terminated in 1783, animated once more the energies of the nation ; and after a brief lull, the wars of the French Revolution and with France and America, rendered an immense expansion inevitable. In 1813 Britain possessed upwards of 1200 ships, and nigh 140,000 seamen, involving an expenditure of 23,000,000*l.* So large an expenditure in addition to that required for the army and ordnance was not, however, allowed to continue one day longer than absolutely required, and immediately on the restoration of peace the number of ships was reduced to 500 and 600, and the average expenditure to 6,000,000*l.* During the decennium 1830 to 1840, still further reductions were made. But the Russian war brought the navy expenditure again as high as 20,000,000*l.*, and now, at a time of perfect peace with almost all the world, the sum required for the navy is 13,000,000*l.*

A perilous rivalry with France is the main cause of this immense increase in the navy expenditure in time of peace ; but other circumstances must be taken into account. First, there is the wear and tear of the ships, and the constant need of repairs and new ships. At the end of fifteen years, on an average, the hull of each ship requires a complete and expensive repair, and the duration of a ship cannot be estimated at more than thirty years. This causes the want of a large number of artificers and of a great quantity of stores, materials, &c., such as masts, yards and rigging. In our dockyards and steam factories there are as many as 19,000 persons daily at work ; most of whom being skilled workmen, are receiving very liberal wages. The substitution of

steam for sailing ships* has also necessitated a considerable increase in the size and strength of ships of every class, in order to provide for the additional weight of steam-engines, boilers, and coals, besides the expense of constructing and repairing steam-machinery, replacing boilers, and providing coals for steam-vessels.

This year provision must be made for 66,000 seamen, 18,000 marines, and 1400 civilians of the Coast-guard service; and the wages, though amounting to upwards of 3,000,000*l.*, are, indeed, excessively moderate. The pay of an able seaman engaged for continuous service is 1*s.* 7*d.* per day, and that of commissioned officers averages no more than 200*l.* per annum. The victuals for such men amounts to 1,500,000*l.* This is three times the amount spent in 1852, but we must remember that the prices of provisions, such as beef, biscuit, sugar, &c., have greatly increased of late years. The cost of the Admiralty office has also increased in consequence of the greater addition of business in this department.

But, whilst the effective services are on the whole underpaid, too liberal provision appears to be made for the non-effective services—viz., the half-pay, reserved half-pay, and retirement to officers of the navy and royal marines. There are three classes of officers thus rewarded. First, those on the active list, which, including 1273 officers, receives together upwards of 230,000*l.* Second, the reserved list, including 984

* Since 1848 as many as 354 steam-vessels have been added to the navy.

officers, receiving together 160,000*l.*; and then the retired list, including 1500 naval and marine officers, receiving together 280,000*l.* per annum. Besides these, there are military and civil pensions and allowances, causing a total expenditure for non-effective services of 1,300,000*l.* A considerable portion of this expenditure might doubtless be spared; and, if for the moment this be impossible, care should be taken for the future to limit or to abolish altogether the number of officers receiving pay whilst not in active service.

Much might be said on the administration of the naval expenditure, on the cost of manning ships, and on the expenses and service of ships in ordinary; but this would lead us to much minute and lengthy examination. Notwithstanding some apparent or essential shortcomings, we cannot help feeling a conviction that no reckless or wasteful expenditure is now voluntarily incurred, and that the abuses which still exist are chronic diseases exceedingly difficult to remove. In 1859 our naval forces consisted of 383 screw, 212 paddle, and 439 sailing ships, making a total of 934; of which 93 were ships of the line, 126 frigates, and 715 other ships. These ships are scattered all over the world. There is a division on the African coasts, a division in the Brazils, one in the Pacific, one in North America and the West Indies, and one in the Mediterranean. Some ships are in China; some in Australia; and then there is the Channel squadron. A considerable amount of our navy expenditure is incurred for the protection of our large and scattered colonies. The extent of the forces required on these different stations naturally depends on the

state of our relations with foreign Powers. The constant additions made to the French navy have naturally excited the greatest anxiety. It is a singular fact, that in a few years France has organized a steam fleet which, with a proportion of large transports,*

* The comparative number and condition of British and French ships of war, in 1858, was as follows :—

Steam Vessels.

	England.	France.
Line-of-battle ships	50	40
Frigates (iron plated) . . . . .	...	4
Block ships (screw)	9	
Frigates	34	46
Mortar ships	4	
Corvettes	82	22
	—	—
	179	112
Gun vessels	53	93
Floating batteries	8	5
	—	—
Gun boats (screw)	240	210
Troop ships and store ships . . .	162	28
Yachts, tenders, steam-tugs, &c.	15	26
	47	—
	464	264

Sailing Vessels.

	England.	France.
Line-of-battle ships	35	10
Frigates	70	32
Corvettes and sloops	43	13
Brigs and despatch vessels . . .	15	28
Mortar vessels	45	3
Mortar floats (towed)	40	
Schooners and cutters	48	32
Transports . . . . .	...	26
	—	—
	296	144

would enable them to carry an army of 60,000 men, with horses, provisions, and materials for one month.

When we consider the unsatisfactory state of politics, the expansion of commercial interests which often demand the presence of armed vessels at distant stations, and the low pay granted to all ranks as compared especially with the value of labour in this and all countries, we can scarcely indulge in the expectation of any material reduction in the navy expenditure.

The following is the amount of navy expenditure since 1801 :—

1801	£17,000,000
1810	20,000,000
1820	6,400,000
1830	5,300,000
1840	5,800,000
1850	6,800,000
1860	13,000,000

CHAPTER VII.

INTEREST OF THE PUBLIC DEBT.

ONE of the most important portions of national expenditure is the payment of the interest of the national debt. Following the progressive increase of the debt, it is unnecessary to note how, from 200,000*l.* in 1691, the amount of the interest rose to 32,000,000*l.* in 1816. The advance has been continuous from year to year ; and though some reduction has since been made, the charge is still upwards of 28,000,000*l.*, upon a total capital of debt of about 800,000,000*l.* The number of persons entitled to various amounts of dividends in the several stock in the public funds has in late years been somewhat reduced. In 1831 the number of fundholders was 281,000 ; in 1859 it was 267,000 ; the decrease having taken place in the number receiving sums between 10*l.* and 50*l.*, for whom other modes of investment are now provided. The number receiving sums exceeding 2000*l.* has, on the other hand, increased from 172 in 1831 to 223 in 1859, owing to the extension of insurance offices, which generally have large investments in the public funds.

In estimating the future payments on account of the interest of the debt, we are first met by the falling due, in November, 1860, of another 1,000,000*l.* of Exchequer

bonds, and by the financial arrangements of 1858, whereby the redemption of the Exchequer bonds of the other amount of 2,000,000*l.* was set aside till 1862 and 1863. In the present state of the national finances it is idle to indulge in the expectation of any immediate prospect of annual surplus of revenue over the expenditure, so as to reduce somewhat the capital and interest of the national debt; and the only glimpse of light we possess is the falling in of another considerable amount of annuities in 1867.

The interest of the debt is paid through the Bank of England, which receives for the management 34*l.* per million on 600,000,000*l.*, and 30*l.* per million on 180,363,529*l.* From this sum, however, there are deducted 188,078*l.*, which the Bank pays for its privileges. There are, however, other charges for the expense of the National Debt Office, which swell the amount paid for management to 90,000*l.*

Number of Persons entitled to various Amounts of Dividends upon the first Dividend Day in 1859.

Not exceeding	£5	...	...	...	93,296
" "	10	...	...	...	44,020
" "	50	...	...	...	86,312
" "	100	...	...	...	22,663
" "	200	...	...	...	12,668
" "	300	...	...	...	3,627
" "	500	...	...	...	2,367
" "	1000	...	...	...	1,168
" "	2000	...	...	...	375
Exceeding	2000	...	...	...	223
					<hr/>
					266,719

CHAPTER VIII.

COLONIAL EXPENDITURE.

THAT Britain should be proud of her colonies we cannot wonder. Her possessions are not narrow islands like the Phœnician and Grecian colonies, nor barren wastes teeming with savage tribes ; like kingdoms and empires, they are rising bold and independent in the scale of nations. On the one hand are the regions where the Anglo-Saxons planted the seeds of labour and enterprise, whose wild forests and desert plains have been transformed into rich and bounteous fields. On the other, there is India, a wonderful country, which has for thousands of years been pouring in an uninterrupted stream of wealth upon Western Europe. The total area of these colonies can scarcely be stated with any approach to accuracy, the area of many of them being still unascertained. As far as is known, however, they appear to comprise 2,600,000 square miles west of Greenwich, and 3,250,000 east of Greenwich. North of the tropics there are 2,500,000 square miles ; between the tropics, 2,106,000 square miles ; and south of the tropics, 2,230,000 square miles. These colonies, exclusive of India, cost the country upwards of 4,000,000*l.* per annum ; but, except for the military and maritime stations, the plantations and settlements are fast eman-

cipating themselves from the burden of deriving their support from the mother country. Their incomes are generally equal to their expenditure, and they are seldom driven to any extraordinary measure to supply their respective wants. Except in the case of British India, no army and navy expenditure, and no interest of debt, enumber their financial equilibrium, and their taxation is generally excessively light.

The first group of colonies is the North American, comprising an area of 430,000 square miles, exclusive of Hudson's Bay and British Columbia, and a population of 3,200,000. In 1857 these colonies had a collective revenue of about 1,650,000*l.* or 10*s.* per head. Their finances are in a wholesome condition; their trade and shipping advance prosperously; and in 1859 we exported to them British and Irish manufacture to the extent of 3,600,000*l.* Yet, notwithstanding their prosperity, these colonies entail on the British Exchequer an annual expenditure of upwards of 500,000*l.* for their fortifications, barracks, regular troops, and naval charges, for their governors and ecclesiastical affairs, besides a portion of the expense of the packet service, and a portion of the expense of the fleet on the North American station.

The next group of colonies is the West Indies, including Jamaica, the Bahamas, Honduras, &c., comprising an area of 76,000 square miles, and a population of 950,000. The revenue of the West India Islands is about 900,000*l.*, or 1*l.* per head. Their productions are increasing; but they have much to contend with for want of labourers. These colonies cost annually more than

600,000*l.* We pay the salaries of their governors and justiees ; we pay for their ecclesiastical establishments, and for their troops and fortifications ; and, besides this, it is for them that a good portion of the expense of the fleet on the West Indian station is incurred, amounting to about 300,000*l.* a year. Yet our exports to the West Indies, including British Guiana, do not exceed 2,000,000*l.* per annum.

The Australian colonies have acquired of late a decided supremacy. The whole of our Australian possessions comprise an area of 3,123,000 square miles ; but a large portion still consists of unoccupied regions. The population of these colonies is at present about 1,300,000, with an annual revenue of about 6,000,000*l.* and an expenditure of 5,000,000*l.*, exhibiting a taxation of not less than 5*l.* per head. The proportion, however, differs considerably in the different colonies. In New South Wales the tax has been 5*l.* per head ; in Victoria, 3*l.* ; in South Australia, 2*l.* 10*s.* ; in Western Australia, 1*l.* ; in Tasmania, 2*l.*, and in New Zealand, 2*l.* 10*s.* These colonies are most valuable to British commerce, both for the quantity of British produce and manufactures which they receive, amounting to 11,000,000*l.* a year, and for the gold and wool which they send. The amount of annual grants for the Australian settlements is about 500,000*l.* ; but upwards of 100,000*l.* spent in Tasmania, New South Wales, and Western Australia, on gaols and prisoners, properly constitute part of our convict expenditure.

The African colonies consist partly of military and maritime stations, and partly of plantations and

settlements. Together they have an area of 220,000 square miles, and a population of nearly 700,000. They have a revenue and expenditure of about 600,000*l.*, or about 17*s.* per head, and our exports to them amount to 2,500,000*l.* For these colonies, however, our expenditure is considerable. They cost to the British Exchequer nearly 1,000,000*l.* a year, independent of the heavy cost of the wars with the Kaffirs.

The European colonies of Gibraltar and Malta and the Ionian Islands are also military and maritime stations. Their united area is no more than 1100 square miles, and their population scarcely 400,000; yet they entail an expenditure of another 1,000,000*l.* a year, principally in troops and fortifications.

The committee on the expenses of military defences of the colonies recommended that the colonies should be divided into two classes; the first class consisting of military posts, and the second consisting of settlements where troops are stationed primarily, if not exclusively, for the defence of the lives, liberties, and properties of their inhabitants. With respect to the latter class the committee proposed that the Imperial Government should call upon each colony to decide on the nature of its own defences and the amount of its garrison, and should offer to assist it by bearing a share of the entire cost, specifying a maximum sum, beyond which this country should not be called upon to contribute without a further agreement.

But, of all our colonial possessions, India is doubtless the richest and the most important. Its wide territory, its mighty population, its opulence, its gorgeous

scenery, and its motley races, invest India with a charm sufficient to attract all nations to its shores. This immense country, possessing 1,300,000 square miles, and a population of nigh 170,000,000, has a trade in imports and exports amounting in all to 55,000,000*l.*, and receives annually as much as 20,000,000*l.* worth of British manufactures and produce; yet practically India costs nothing to the British treasury. Her revenue is 32,000,000*l.*, and her expenditure 35,000,000*l.*, with 4,500,000*l.* more of home charges or expenses connected with the Indian administration in Britain. This a large sum, yet the taxation is excessively light. What are 32,000,000*l.* of taxes in a population of 170,000,000? Barely 4*s.* per head. In Bengal the taxation was 2*s.* 9*d.* per head; in Madras, 4*s.* 6*d.*; in Bombay, 9*s.* per head, and in the North-Western Provinces 3*s.* 3½*d.* The total debt of India, including the Indian debt and the bond debt in England, amounts at present to 66,000,000*l.** We have said nothing of Ceylon and Labuan, which also cost the British Exchequer about 150,000*l.* a year; nor of Hong Kong in China,

* The finances of India have, of late years, been placed in a very critical condition. For a number of years the expenditure has exceeded the revenue, and the public debt has been increasing. In the year 1857-8 there was a deficit of 7,500,000*l.*; in 1858-9 there was a deficit of 13,000,000*l.*; this year, 1859-60, there is an excess of expenditure of 9,000,000*l.* The expenditure for military purposes has increased from 11,000,000*l.* in 1855, to 19,500,000*l.* in 1859. The home charges, from 2,500,000*l.* to 6,000,000*l.* It is of the utmost importance to place the Indian finances in a more satisfactory condition, now that the country is once more tranquillized, and nothing could be more conducive to that end than the energetic measures of Mr. Wilson. The income tax and taxes on tobacco and licences will greatly expand the revenue, and we hope that the produce of these taxes may enable Mr. Wilson to diminish rather than increase the import duties on manufactures and necessities.

which is becoming a most expensive station. In 1857 the cost of this colony was upwards of 300,000*l.*, and that sum will be enhanced by the present unsettled state of affairs in China.

Such is the condition of our colonial empire. It consists of countries and territories large and prosperous, and with unbounded resources. Financially they are almost independent of the mother country; commercially they are free to trade with all countries; and politically these colonies act with plenitude of powers. They have their own legislative assemblies, and with their governors acting as the representatives of the Sovereign, they are able to make laws and to exercise all the rights of sovereign States. The bonds now connecting the British colonies with the mother country are those of sympathy, good-will, and even affection. Chiefly inhabited by Englishmen or their descendants, the colonist still looks to Britain as his home. Moreover, British capital and energies are indispensable to the development of colonial resources. Britain is undoubtedly the best and the greatest market for their produce; Britain is the only country that can assist them in the construction of their railways or other public undertakings, and from Britain the best settlers annually go forth. Since 1815 as many as 5,000,000 emigrants have left the British shores. There is something gorgeous in the constellation of fifty and more colonies of so vast dimensions, far away, north and south, east and west, swelling the boundaries of these narrow islands. May nothing ever occur to sever any of these brilliant jewels from the diadem of our gracious Queen!

CHAPTER IX.

PUBLIC SALARIES AND SUPERANNUATIONS.

FOR the administration of the affairs of the kingdom, a large number of officers is required, of varied capacities and rank. Hence a great portion, amounting to more than one-third of the entire public expenditure, consists in salaries and wages. The civil service of the United Kingdom comprises upwards of 60,000 men, besides 200,000 soldiers and seamen, representing perhaps an aggregate of 700,000 to 800,000 persons, directly or indirectly maintained by the State. First amongst these we have the chief officers of State, many of whom belong to the highest families. It is indeed a source of congratulation and satisfaction to find the peers and nobles of the realm taking an active part in the administration of the State. They have the time and the opportunity for such duties. They are often endowed with the highest talent, and they possess many of those requisites which are sure to win and command the confidence of the nation. The middle and working classes have trade, agriculture, and other industries open to them, and it is well for the nation that many of the upper classes prefer a life of usefulness to one of luxury and idleness.

The rule of the State demands the most unremitting attention. It is not a dilettante's work to be a minister of State, and his salary should therefore be adequately liberal. To measure the worth of the public service rendered by our highest dignitaries, we should see what are the incomes of those attaining the highest position in other professions. A minister of the Crown receives a salary of 5000*l.*, a judge, of 4000*l.* or 5000*l.*; but a barrister in full practice will realize 6000*l.* or 7000*l.* a year, if not more. A bishop has an income of upwards of 5000*l.*, and a successful merchant of 7000*l.* or more. The Lord Lieutenant of Ireland and the law officers of the Crown are the highest salaried officers in the realm; but, as a whole, the civil-service officers have salaries barely proportionate to the amount of labour they have to perform. Whilst the average salaries of public officers may be about 200*l.* per annum, the salaries of the officers of the Bank of England average 250*l.*, and those of the East India House nearly 400*l.* Upon the wages of soldiers and sailors we have already commented. They are poor and disproportionate to the labours and risk of life connected with the service. On the whole, judging from the extensive demand for skill and industry, the increased cost of provisions, higher rent of houses, and greater general expenditure, there is every probability that a higher scale of salaries may ere long be introduced into the civil service.

The only essential advantage which distinguishes the public service is the certainty of a superannuation or pension after years of devotion to the interests of the State.

After ten years' serviee a civil servant enjoys a fourth of the salary, and from that limit the proportion increases with the number of years of serviee. This is the great recommendation of a public life; though, we are happy to say, similar liberality now marks the administration of many banking and public establishments, and even of commercial houses.

The votes for salaries of public departments, during the last twenty-five years, have been as follows:—

1835	.	.	.	.	.	.	£370,000
1845	.	.	.	.	.	.	480,000
1850	.	.	.	.	.	.	730,000
1855	.	.	.	.	.	.	850,000
1860	.	.	.	.	.	.	918,000

The salaries and expenses of the revenue departments, including the cost of the Post-office, have been as follows:—

The superannuations and retired allowances paid to officers of the civil service, exclusive of those paid out of the Consolidated Fund and for the army and navy, were as follows, since 1835:—

1835	.	.	.	.	.	.	£66,000
1845	.	.	.	.	.	.	80,000
1850	.	.	.	.	.	.	109,000
1855	.	.	.	.	.	.	139,000
1860	.	.	.	.	.	.	178,000

CHAPTER X.

PENSIONS FOR PUBLIC SERVICES.

THE nation fulfils one of the most sacred duties in liberally rewarding those illustrious men who have devoted to their country's service talent, energy of action, virtue, and valour of surpassing excellency. The names of Nelson and Wellington, of Erskine, Lyndhurst, and Brougham, have thrown a perennial lustre on the annals of the nation, and will ever be associated with national trophies in military glory and in the path of science and civilization. Yet the continuance of pensions of considerable amount for centuries after the services have been rendered, and the illustrious individuals themselves, and all their families, have ceased to exist, is very objectionable. It is almost impossible to realize that we are yet paying for the meritorious services rendered by William Penn, the Duke of Marlborough, and the Duke of Schomberg, and we cannot help thinking that such pensions should not continue so indefinitely. A better rule, however, now prevails. All pensions granted for naval and military services under the present reign extend only to one or two heirs immediately succeeding the original grantees, whilst those for civil and judicial services are for life only. The pensions for naval and

military services amount to a yearly sum of 40,000*l.*; those for civil services to 40,000*l.*, and those for judicial to 50,000*l.* There are other pensions of considerable amount, but of a very different character. As, for example, we pay yet pensions, amounting to 36,000*l.*, to all those who were in the civil list of George IV. and William IV., and 10,000*l.* to all such as have suffered loss of emoluments by the Union with Ireland; making in all upwards of 200,000*l.* The pension list is constantly increasing by every tangible token of national gratitude granted to men such as Lord Hardinge, Lord Gough, Lord Raglan, Sir William Williams, and Sir Henry Havelock; by every promotion to the Lord Chancellorship of England; by every retirement from judicial services; and by grants to all persons who have held high and responsible offices, as in the cases of Viscount Eversley, the late Speaker of the House of Commons, and the Right Hon. James Wilson, the late Financial Secretary to the Treasury. The nation will never grudge the amplest recognition of public services, but it is not desirable to constitute such recognition a burden of indefinite duration.

CHAPTER XI.

LAW AND JUSTICE.

LEARNING and integrity have always been the characteristics of the administration of justice of the United Kingdom. Whateyer complaints may be made of the expensiveness and dilatoriness of our tribunals, not a whisper is heard of the incompetency or venality of those who preside over them. This is of itself of the highest moment; and though we might wish that our laws were more compact and perspicuous, and that our legal procedure were still further simplified, we may congratulate ourselves that justice is rightly administered, that it is equally meted out to rich and poor, and that no difference of persons, as respects aliens or otherwise, has ever been recognised in our courts of justice. Nor is the cost extravagant. In England there are 24 judges of superior courts—viz., Chancery, Common law, Admiralty, and Probate, receiving the aggregate sum of 135,000*l.*, or an average of 5600*l.* per annum each; 60 judges of county courts, receiving, 70,000*l.*, or less than 1200*l.* each; 18 commissioners of bankruptcy and insolvency, receiving 33,000*l.*, or 1800*l.* each; 85 barristers for revising lists of voters, receiving 17,850*l.*, or 210*l.* each; 36 stipendiary magistrates, receiving 37,240*l.*, or about 1000*l.* each; and a

Vice-Chancellor of the County Palatine and Duchy of Lancaster, receiving 600*l.* : making a total for England of 223 judges, receiving 301,690*l.* In Ireland there are 17 judges of superior courts, receiving together, 64,000*l.*, or about 3700*l.* each ; and 115 judges of inferior courts, receiving 72,400*l.*, or about 630*l.* each : total, 132 judges, receiving 136,904*l.* In Scotland there are 13 judges of superior courts, receiving together, 42,300*l.*, or 3200*l.* each ; and 82 sheriffs and sheriffs' substitutes, receiving together, 53,573*l.*, or 650*l.* each per annum : total, 94 judges, at 95,873*l.* We have, therefore, in the United Kingdom, 54 judges of superior courts, receiving 241,804*l.*, or less than 4500*l.* each ; and 395 judges of inferior courts, receiving 292,663*l.*, or 740*l.* each : total, 449 judges, 534,467*l.* Besides these salaries, the sum of nearly 2,500,000*l.* is spent for law charges, including salaries and expenses of the different courts, the cost of prosecutions at assizes, prison and convict services, maintenance of prisoners, &c. It must be observed, however, that only a portion of the expenses of the police is defrayed by the State. Whilst the Treasury contributes for this purpose 300,000*l.*, more than 1,200,000*l.* in England and Wales alone are defrayed from local funds, in boroughs from the borough fund, aided by a police-rate, in counties and the metropolitan police district by a police-rate, and in the City of London from the funds of the Corporation. But we have not yet exhausted our sources of expenditure for the administration of justice in all its branches. A considerable sum is annually paid for compensations to

CHAPTER XII.

EDUCATION, SCIENCE, AND ART.

THE state of education in the United Kingdom has attracted of late a considerable share of public attention, and it became an imperative duty on the part of the State to aid by public funds the efforts made for the elevation of the masses. Without injuriously interfering with voluntary efforts, it is the object of the Committee of Council on Education to come to the assistance of many less-favoured districts, where voluntary action is not sufficiently energetic. And by a well-conceived system of grants towards the building, enlarging, and furnishing of school-houses, towards the purchase of books, maps, and scientific apparatus, and also towards the salaries of schoolmasters, a considerable impetus has been given to education, the status of schoolmasters has been raised, and the utmost encouragement has been given to the spread of intelligence among all classes.

The public expenditure for educational purposes comprises grants for public education, and for the Science and Art Department of the United Kingdom, which, besides the South Kensington Museum, promotes schools of science, and geological and industrial museums ; grants for the Universities, for the British Museum and National Gallery, and for several scientific societies. For these various objects the sum now spent amounts to upwards of 1,300,000*l.*, showing a considerable increase over the sums

voted for such purposes in former years. For public education in Great Britain in 1838 there was voted 30,000*l.* only ; now the sum required is 800,000*l.* For public education in Ireland in 1838 there was voted 50,000*l.*, now 270,000*l.* The impartiality and judgment which mark the administration of the educational department of the Privy Council have contributed much in allaying party feeling and in lessening the aversion which existed with certain classes to the accepting of Government grants. Hence the prospect of expenditure for educational purposes may be further extended.

But is there to be no limit to the public expenditure for education ? Is the State to sustain every educational institute in the United Kingdom ? Government grants are now given wherever schools exist or are built fulfilling certain requisites, and wherever the teachers possess Government certificates ; and the grant amounts to a sum somewhat like a third or a half more than the sum voluntarily contributed.* We cannot wonder that most schools take advantage of so liberal an offer, and that all prejudice against it is vanishing when they see that the school inspectors animate rather than check the advancement of the schools, and that they impose no trammel whatever on the religious education given in

* The direct annual cost of educating a child in a school under the present system of aid lies between 28*s.* and 30*s.* per annum. The indirect cost of inspection and of administration, which is wholly borne by Government, gives a further sum of 1*s.* 7*d.* per scholar, that of training teachers, 3*s.* 0*3d.* per scholar, of which the Government provides 2*s.* 4*3d.*; and if 5 per cent. be charged on the capital sunk in land and buildings, a still further sum of 5*s.* 6*1d.* per scholar must be added, making a total of 40*s.* per scholar per annum, of which the State provides 17*s.*—*Report of Committee of Council on Education, 1859-60.*

the different institutions. But under the present system the wealthier institutions come in for the largest share of Government grants. It is not the most needy schools that obtain them, but the most independent ; those, in fact, which could well sustain themselves, and whose incomes exceed rather than otherwise their annual wants. These obtain year after year large and increasing sums ; but those which, through actual poverty of means, are not built of the requisite dimensions, and whose teachers do not possess Government certificates, are altogether excluded. It may be advantageous to encourage the building of large and commodious school-rooms, and to prescribe that the teacher shall possess a certain standard of intelligence ; but it is contrary to the whole purpose of such grants to exclude from their operation the very schools which are most in need of Government support.

In order to set some limit to the amount of annual grants, and to reduce the number of schools supported by the State, it would be desirable to specify a minimum income for each scholar, and to allow grants to such schools only as do not possess such standard income. The condition of every school might be quinquennially ascertained, and, as any one of them attains a state of self-support, the State should at once cease to make grants on its behalf.

The votes for education, science, and art, during the last twenty-five years, have been as follows:—

CHAPTER XIII.

PRINTING AND STATIONERY.

IN no country does legislation proceed in so calm and cautious a manner as in the United Kingdom. Laws are not enacted suddenly or inconsiderately. Suggestions are made ; inquiries are instituted ; reports are produced ; and bills or projects of laws are prepared which, after passing the ordeal of Parliamentary investigation and discussion in both Houses of the Legislature, often become laws, and oftener still are remitted back to other committees of inquiry, and to the maturing influence of time and public opinion. In the course of these legislative proceedings most valuable facts are collected, which illustrate the condition, wants, and prospects of society, and bring out the various phenomena of life often with all the pathos of a romance, and with the truthfulness of contemporaneous history. There is no country, moreover, which possesses a more extensive executive machinery, with establishments spread over every clime, all of which are responsible to the State. These give annually reports of their labours, and the facts they exhibit furnish the best repertory of the political, social, or commercial progress of the respective communities at home and abroad.

It is the publication of these various documents and reports, and the providing for the immense quantity of paper and stationery of all kinds required for the numberless forms or schedules circulating between the head departments and local establishments, and for the numerous returns of all descriptions sought after by members of Parliament on all subjects and in every form, that constitute the principal amount of expenditure under this head, ranging between 300,000*l.* and 400,000*l.* Attempts have been made to diminish this expenditure by reducing the number of copies of documents published, by curtailing as much as possible the publication of evidence and appendixes, and by the publication of abstracts. It must, however, be observed that the reduction of the number of copies does not lessen materially the expense after the matter is in type, and that often the documents inserted in the appendix are of the greatest value.

The sum voted for printing and stationery has materially increased of late years; but considerable economy is being exercised, so as to reduce it to an amount not exceeding 330,000*l.*

The votes for printing and stationery, during the last twenty-five years, have been as follows :—

1835	.	.	.	.	.	.	£196,000
1845	.	.	.	.	.	.	226,000
1850	.	.	.	.	.	.	260,000
1855	.	.	.	.	.	.	360,000
1860	.	.	.	.	.	.	335,000

CHAPTER XIV.

RELIGIOUS GRANTS.

NOTHING could better illustrate the sensitiveness of the mind of the nation on matters connected with religion than the extreme jealousy and watchfulness exhibited with respect to grants for religious purposes. The Nonconformist churches regard with great suspicion and concern any addition made to the resources and patronage of the Established Church, and both become natural allies when the Church of Rome is a candidate for public grants. This constant and eager rivalry, and the warm debates which it occasions, keep this branch of national expenditure considerably in check, and every opportunity is taken to reduce even the present amount. Let it be remembered that the State derives its revenue from the entire community, irrespective altogether of their religious opinions, and is called upon in return to administer the national finances with equal impartiality. If we do not wish it to sanction religious opinions which we deem grounded on error and ignorance, we must be prepared to recommend the State to withhold its support from all religious communities.

The sums granted by the State add, indeed, but little to the resources of the various ecclesiastical com-

munities. The grants for religious purposes annually amount to about $130,000l$. Of these, $12,000l$. are given to the Church of England, $20,000l$. to the Church of Scotland, $20,000l$. to the Church of Rome, for the Maynooth College, $40,000l$. to Protestant dissenters, being principally Presbyterian ministers in Ireland, and $33,000l$. to the Church of England in the colonies. What proportion these grants bear to the income of these religious parties it would be difficult to say. Some idea may be formed of the income of the Church of England by the value of the property belonging to the Ecclesiastical Commissioners, which is assumed to be from $30,000,000l$. to $35,000,000l$. Other religious parties have no other fund but the voluntary contributions of the people; which, however, are sufficiently liberal to enable them to build churches, to support their ministers, and to maintain their ecclesiastical ordinances with sufficient decorum and propriety.

Benyon & L. L.

CHAPTER XV.

PUBLIC AND CHARITABLE INSTITUTIONS.

THE claims of charity and human suffering are often too urgent to meet a cold denial even from the most consistent economist. To alleviate the misery consequent upon the awful famine in Ireland in 1846-7, millions were granted, either as loans or gifts. Emergencies of such a nature often arise in this, as in all countries, sometimes from fires, and sometimes from famine or inundations. The State is also often called upon to assist, by public grants, efforts to improve the health of the people, and to provide for the alleviation of human suffering where benevolence and charity fail to subscribe the necessary amounts. The great objection to public grants for such purposes is the effect they may have in arresting the flow of private charities. Let it be once understood by any public institution that the support of the State will be forthcoming, and the energetic action of its officers to obtain the necessary supplies will soon relent. Such an issue in a country like this, where the power of amassing wealth is so great, would be much to be regretted.

The desire to do good, and to promote good works, is a powerful motive, we trust, with not a few of our merchant princes and others possessing wealth and in-

fluence. Witness the recent foundation of a free library by a Liverpool merchant; witness the sumptuous contribution sent to the sufferers from inundation in France in 1853; witness the Patriotic Fund of 1856, and the large sum collected for Indian relief in 1857. These are noble examples of liberality.

Besides small sums annually voted for Toulonnese and Corsican emigrants, for Polish refugees, and for a Refuge for the Destitute, the principal grants under this head are for Irish hospitals and other charities and allowances in Ireland, amounting to about 28,000*l.* per annum. We should add, also, the sum of 7000*l.* spent by the Privy Council under the Public Health Act, including the vaccine establishment, and the charge of nearly 9000*l.* for the inspectors of lunatic asylums and Commissioners in Lunacy. With the growing prosperity of all classes in the United Kingdom we hope to witness a continuous and increasing amount of benevolence, and shall rejoice to see even Ireland, and Dublin especially, ceasing to draw from the public purse what the charity of private individuals should abundantly supply.

CHAPTER XVI.

PUBLIC WORKS.

NO nation has ever deemed it inconsistent with the duties of the State to provide for the recreation, instruction, and convenience of the people, parks, gardens, and works of art, which shall reflect its rank and achievements in the annals of politics, philanthropy, science, and virtue. The Roman emperors, in the summit of their imperial greatness, laid the foundation of the colossal monuments which have for ages attracted the admiration of the world. Napoleon, whilst at the head of his victorious armies, struggling against armed Europe, did not neglect the embellishment of Paris, and invited the most renowned artists of Europe to adorn the streets of that capital and her palaces with their paintings, statues, and obelisks.

In the United Kingdom seldom is any sum devoted to objects of luxury. Instruction and utility are the chief design of all our public buildings. The Houses of Parliament have already absorbed the enormous amount of 2,000,000*l.* Harbours of refuge have also demanded considerable grants, and larger sums are yet required for them. When we consider that the annual loss of property from casualties on our coasts is about 1,500,000*l.* and that the loss of life is not less than

1000 to 1500 per annum, it will be allowed that it becomes a most serious duty on the part of the Legislature to use every effort in order to lessen these national calamities. We are on the eve of another considerable item of public expenditure for the building of new Government Offices and a new National Gallery. What sums may be required for them it is too soon to prognosticate.

The expenditure under this head amounts now to nigh 700,000*l.* per annum, being considerably more than the sum spent for such purposes ten years ago, the increase being entirely for harbours of refuge.

The votes for public works and buildings, during the last twenty-five years, have been as follows :—

1835	.	.	.	.	.	.	£182,000
1845	.	.	.	.	.	.	465,000
1850	.	.	.	.	.	.	587,000
1855	.	.	.	.	.	.	747,000
1860	.	.	.	.	.	.	622,000

CHAPTER XVII.

EXPENDITURE ON ACCOUNT OF THE RUSSIAN-DUTCH
AND GREEK LOANS.

WHAT have we to do with the Russian-Duteh loan, that we should have to pay for it so large a sum every year? This is a singular charge on the British Exehequer, and it requires some explanation. The loan originally consisted of various debts, amounting to 7,400,000*l.*, owing by Russia and Poland to some Dutch merchants. These having been acknowledged by Russia as her own, were converted into one five per cent. stock in favour of Messrs. Hope and Co. of Amsterdam, with a sinking fund destined to extinguish it in 1810. During the French war, however, when Holland formed part of the French empire, Russia, being at war with France, ceased to make any payment on account of the loan. When peace was restored, Russia executed a bond for the arrears of interest; and this, added to the prineipal, made up a total debt of more than 9,000,000*l.* But when it beeame a question, at the treaty of Paris and congress of Vienna, to re-establish Holland in her sovereignty, ineluding Belgium and her colonies, Russia took advantage of the opportunity to disburden herself of a portion at least of this debt, by refusing her consent to the arrangement unless Holland

and England consented each to pay 2,250,000*l.* of the Russian-Dutch loan.

It was, however, understood that these payments were to cease, should the possession and sovereignty of the Belgic Provinces at any time pass or be severed from the dominion of the King of the Netherlands. This latter contingency having actually happened, Holland ceased to pay her quota of the Russian-Dutch loan; but by a convention made with Russia in 1831, England agreed to continue the payment in consideration of Russia's adhesion to the general arrangements of the congress of Vienna; and the debt is in consequence still running, entailing on the nation, for interest and sinking fund, a charge of 83,000*l.* per annum.

Another sum of 47,000*l.* is also paid yearly for interest and sinking fund on the Greek loan; an obligation contracted in order to assist towards the establishment of the present Grecian monarchy.

CHAPTER XVIII.

CONCLUSIONS RESPECTING THE EXPENDITURE.

THE conclusions suggested from the preceding survey of the principal branches of the national expenditure are as follow :—

1. That the largest portion of the public expenditure being devoted to national defences, the extent of which is mainly regulated by the state of our foreign relations, it is impossible to foresee from year to year what may be our future exigencies and the condition of our finances. But that, in the present clouded state of our political horizon, no material reduction can by any possibility be anticipated, especially as the rates of salaries and wages of all ranks are generally moderate, and in many cases decidedly too low. It is probable, moreover, that the Commissioners on National Defences may recommend a considerable expenditure for the purpose.

2. That the other large branch of public expenditure, the salaries of the civil service, and of officers in all departments and ranks, is also far from being reducible : first, because the salaries are in most cases barely proportionate to the value of the services rendered, and, secondly, because, with the constant increase of public business, there is necessarily required a corresponding increase in the number of officers.

3. That the interest of the public debt is likely to continue fully as high as at present, with the obligation, moreover, of providing for a large sum of Exchequer bonds.

4. That the expenditure for public works, harbours of refuge, and parks, &c., has been hitherto kept low, in relation to the increase of wealth and population, whilst we have the prospect of the construction of large public buildings for the Foreign Offices, for the Secretary of State for War, and for the National Gallery. More harbours of refuge have also become necessary in consequence of the immense increase of our trade and navigation.

5. That the expenditure for the diplomatic service may admit of some saving by converting embassies into missions, and reducing the number of such missions; but that an increase may be anticipated in the cost of the consular service by the enforcement of the prohibition of all consuls to engage in trade.

6. That the prosperous state of all our colonies and dependencies will ere long constitute them independent of all support from the mother country, and that a saving might be effected of the grants now made for the salaries of their governors and magistrates, and also of the large proportion now voted for their defences, in conformity with the recommendation of the committee on the military defences of the colonies.

7. That the demands for education, science, and art, religious grants, and the administration of justice, are likely to continue large and urgent. The report of the

commissioners on the state of education will materially influence the future votes under this head.

On the whole, we have the prospect of a largely increasing national expenditure.

BOOK III.

NATIONAL DEBT.

CHAPTER I.

NATURE OF THE NATIONAL DEBT.

TO avoid all misconception on this great subject, it may be broadly stated that the national debt, the result of years of excessive expenditure, is a *bonâ fide* debt owing in its entirety by the nation to its creditors, whether they be at home or abroad ; and that although, by mutual agreement between the State and the public creditors, the latter are precluded from demanding the payment of the principal of the debt at any given time, their title being confined to the annual interest, still every investment in the public funds is a *bonâ fide* loan, which the State binds itself to restore upon the security of national resources.

The national debt consists of different kinds of stock, entitling the creditors to annuities or personal payments : 1st, to continue in perpetuity, or until it shall afterwards cease, in consequence of a valuable consideration, to be in future agreed on ; 2nd, to continue a certain definite term of time, and then cease ; or, 3rd, to continue until the capital and principal shall be repaid. These annuities are respectively called perpetual annuities, de-

terminate annuities, and redeemable annuities. At different periods conversions of stocks have been made either for annuities bearing different rates of interest, or by exchanging perpetual into determinate or redeemable annuities, or *vice versa*. Whatever be the annuity, however, the agreement between the nation and the public creditors consists in the creditors renouncing the title to demand the principal or the capital of the debt, and the nation engaging all the national revenue to the payment of the interest at the rate agreed on, and for a time or for perpetuity, according to the kind of stock originally issued. No conversion of stock can therefore be effected by the nation, except with the full consent of the public creditors.

Whatever advantage may arise from the circulation of a large amount of evidences of debt founded on national security, such evidences of debt or public funds, or at least a large proportion of them, are the representatives of a capital borrowed and abstracted from the productive fund of the nation for purposes of war or other public objects. The more loans are contracted, the larger is therefore the capital thus abstracted ; and the wider the circle from which public loans are obtained, the more extensive will be the number and kind of industries from which capital, the lifespring of such industries, is removed. It may be a necessity for the State to spend more than its annual income, and to provide for it by means of public loans ; yet it is a calamity aggravated by the unconcern which such a mode of obtaining supplies usually creates, and by the illusions with which such transactions are usually surrounded,

And whenever any such necessity arises, it is a question of deep importance to determine whether it is best to meet the excessive demands by additional taxes, or by contracting a loan which shall throw part at least of the burden of present calamities on the future generation. That it is desirable to make the nation feel the evils of a warlike expenditure by encroaching on their present comforts and drawing on their purses, is universally admitted. ‘The expenses of a war,’ said Mr. Gladstone, ‘are the moral check which it has pleased the Almighty to impose upon the ambition and the lust of conquest that are inherent in so many nations. There is pomp and circumstance, there is glory and excitement about war which, notwithstanding the miseries it entails, invests it with charms in the eyes of the community, and tends to blind men to those evils to a fearful and dangerous degree. The necessity of meeting from year to year the expenditure which it entails is a salutary and wholesome check, making them feel what they are about, and making them measure the cost of the benefit upon which they may calculate.’

Let it be remembered that just in proportion as such sacrifices are made promptly and liberally, so we avoid mortgaging our future industries. Had Mr. Pitt been enabled to draw more liberally from national resources by an increased amount of annual revenues, the capital of the debt would not have reached the extreme amount of upwards of 800,000,000*l.* sterling, and the yearly expenditure itself during those disastrous years of war would not have

been aggravated by a large portion at least of the interest of the debt. The advantage of not withdrawing a large amount of capital from the usual employments of trade may have been great, but the price paid for such an advantage greatly exceeded it. Doubtless, it might seem unjust that the present generation should bear alone the expense of a war from which our successors will probably derive greater benefit than ourselves. Yet it is wise, and in the end better, that those who are more immediately responsible for the management of present international relations should bear the greater portion of the burden which results from their own acts.

*State of the Public Debt of the United Kingdom on the
31st March, 1859.*

	£	s.	d.
New Annuities	at $2\frac{1}{2}$ per cent.	2,988,552	1 11
Exchequer Bonds	at $2\frac{3}{4}$ " "	418,300	0 0
Debt due to the Bank of England	} at 3 per cent.	11,015,100	0 0
Consolidated Annuities	" ,	407,202,855	14 2
Reduced Annuities	" ,	115,227,111	17 5
New Annuities	" ,	246,645,115	14 3
New Annuities	at $3\frac{1}{2}$ per cent.	240,746	6 4
Debt due to the Bank of Ireland	} ,	2,630,769	4 8
New Annuities	at 5 per cent.	432,603	15 11
		<hr/>	
	£786,801,154	14	8
		<hr/>	

*Amount of the Unfunded Debt outstanding on the
31st March, 1859.*

Exchequer Bills	£13,277,400
Exchequer Bonds	5,000,000

CHAPTER II.

HISTORY OF THE NATIONAL DEBT.

THE resources of national credit were not known among the ancients. In time of peace they used to amass stores of wealth for future contingencies of war. Cyrus accumulated a considerable treasure. The treasure of Ptolemæus Philadelphus was estimated at 74,000 talents. Alexander found at Ecbatana 38,000 talents. Tiberius had amassed vast amounts of sesterces, which Caligula wasted in one year. Cæsar seized a treasure at the battle of Pharsalia, and in later times Charles V., Henry IV., Popes Paul and Sixtus V., and the Swiss cantons, each amassed treasures for their wars. Napoleon made use of a treasure found in the crypt of the Tuileries for the battles of 1813 and 1814, and even at present large sums are understood to be buried in the fortress of St. Petersburg. But the hoarding money for national purposes was generally abandoned when the practice was introduced of making public loans.

The earliest traces of a State borrowing money for national purposes may be found in the history of Venice. In 1170, the finances being in great disorder in consequence of a disastrous conflict with the Mussulmans, and a war with Frederick Barbarossa, the Great

Council raised a forced loan, for the interest of which the public revenues were pledged. In England, the early Sovereigns experiencing great difficulty in raising their incomes, not only anticipated the revenue by means of tallies,* but frequently resorted to borrowing money, sometimes from the clergy, often from the Jews and from foreigners, and occasionally by the sudden levying of forced loans. As a security for the repayment, Queen Mary in 1558 mortgaged lands for a loan of 200,000*l.* granted her by the citizens of London, and King Charles in 1625 sent the Duke of Buckingham to Holland to borrow 300,000*l.* on the pledge of the Crown jewels. Privy seals and letters patent were also used as securities for loans. The loans were then contracted by the Sovereign upon his own authority and upon the security of his own property of revenue. In process of time, however, and during the reign of Henry VI. the burden of debt was shifted from the King's shoulders to those of the nation,

* Tallies were pieces of wood cut in a peculiar manner of correspondence; for example, a stick or rod of hazel, or other wood, well dried and seasoned, was cut square and uniform at each end and in the shaft. The sum of money which it bore was cut in notches in the wood by the cutter of the tallies, and likewise written upon two sides of it by the writer of the tallies. The tally was cleft in the middle by the Deputy Chamberlain with a knife and mallet through the shaft and the notches, whereby it made two halves, each half having a superscription and a half part of the notch or notches. A notch of such a largeness signified *M. l.* a notch of another largeness *c. l.*, &c. It being thus divided or cleft, one part of it was called a tally, the other a counter-tally. And when these two parts came afterwards to be joined, if they were genuine, they fitted so exactly that they appeared evidently to be parts the one of the other.—MADOX, *Hist. of the Exchequer*.

The precariousness of the expedients used by the State in raising the necessary funds at this early period exhibits a marked contrast with the extreme facilities afforded by modern practice.

But the time soon arrived when the Sovereign and the people, being unitedly engaged in a great contest for the defence of personal rights, liberties, and religion, at home and abroad, were compelled to resort to more efficient means for obtaining the necessary supplies.

At the period of the Revolution in 1688, the whole amount outstanding on tallies of loan, excluding the bankers' debt, contracted in consequence of the shutting of the Exchequer in 1672, did not exceed 84,888*l. 6s. 9d.* issued in anticipation of the duties on French linens. This amount constituted the whole of the public debt at that time, though there were also some arrears due to the army and navy, amounting to 300,000*l.* But the war expenditure necessitated the raising of large sums by loans in addition to increased taxation. At first these loans were raised in the ordinary mode by tallies of loan charged on and in anticipation of various duties. In consequence, however, of the large amount required, this resource soon failed, the several funds proving wholly insufficient to meet the charges upon them, and the tallies fell to a large discount. It became necessary, therefore, to raise money by loan in other ways. Of these, the first operation was in 1692, being the commencement of the system of our Government life annuities and of tontines. But the sums so obtained were not sufficient. It happened, however, that at that time money

holders had no means of making good investments, and commercial adventures were exceedingly dangerous and speculative. Great inducements to borrow at a high rate of interest were given to William, and he accepted the offer. In 1694 the Bank of England was incorporated, and the sum of 1,200,000*l.* was lent to the State at the rate of 8 per cent. per annum. A few years after, in 1698, other 2,000,000*l.* were obtained on like terms from the East India Company ; and thus the first foundation was laid of our national debt.

At the accession of Queen Anne, in 1701, the funded debt of the nation was still 3,200,000*l.* Her reign was signalized by the war with France to humble the Bourbons and to deprive Philip of the crown of Spain, a war which lasted ten years, during which the finances continued in a wretched condition. Heavy taxes were raised, and by the conclusion of this reign the debt had risen, in 1713, to 26,000,000*l.* Public credit was then extremely depressed, and the securities of the State were at a discount of 40 to 50 per cent. in the market. It was under these circumstances that the Government allowed the Bank to purchase Exchequer tallies and other securities to the amount of 1,000,000*l.*; and, upon condition of withdrawing them from circulation, to add them to its capital as so much money lent to the Government. The reign of George I. was one of uninterrupted peace ; yet a considerable sum was obtained from the South-sea Company, and at the conclusion of his reign, in 1727, the debt had risen to 48,000,000*l.* The debt remained thereafter stationary ; but the necessities caused by the Spanish war were

manifested, and the debt increased, in 1748, to 68,000,000*l.* It was during this period that the practice was first introduced of creating stock for the money borrowed bearing a lower rate of interest than that which was in reality granted at the time, and the sums received had no relation whatever to the amount of stock issued. As a specimen of this mode of making loans, we learn from Mr. Capp's Essay on the national debt, that in 1781, for the purpose of effecting a loan of 12,000,000*l.*, the Government pledged the country to pay 21,000,000*l.* with the advantage of lottery tickets worth 4*l.* per 1000*l.* of capital advanced, and of antedating the payment of the interest by about a quarter of a year.

In 1756 another Continental war began, a war which lasted seven years, and an additional sum of 61,000,000*l.* of debt was contracted; so that in 1763 the funded debt amounted to 129,000,000*l.* By the treaty of Paris peace was restored, which lasted full fifteen years; and then the unfortunate dispute with the North American colonies occurred, by which 121,000,000*l.* more stock was added to the national debt, being upwards of 20,000,000*l.* in excess of the cash received. In 1785 the great amount of national obligations had reached to 240,000,000*l.* What was the alarm of the nation, during these successive additions, we need not describe, but events succeeded each other of a formidable character. The American war no sooner ended than the French Revolutionary war commenced. In 1793, at the breaking out of the war, the funded debt was 234,000,000*l.* The contest with Na-

poleon called forth unprecedented efforts; and by 1816, after peace was finally established, the nation saw its encumbrances swollen to the enormous amount of 796,000,000*l.*, besides 49,000,000*l.* of unfunded debt. But what was the sum really got for this immense amount of stock? For every 100*l.* received there was created a debt of 173*l.* Therefore, for 586,000,000*l.* of stock created, the country obtained only 339,000,000*l.*, and 247,000,000*l.* were saddled on the country of purely artificial capital. Mr. Capps estimated the total artificial enhancement of the debt, up to the year 1816, at 276,000,000*l.* or equivalent to that amount, in a 3 per cent. stock. From that time to the present the operations connected with the national debt have been comparatively unimportant. Beyond the funding of certain sums of Exchequer bills, a loan of 8,000,000*l.* was made in 1847-8, in consequence of the potato failure in Ireland; one of 16,000,000*l.*, and two others of 5,000,000*l.* each in 1855, have been negotiated for the Russian war. With these several additions the capital of the funded debt, on the 31st March, 1859, amounted to 786,801,154*l.*, upon which the annual charge was 27,724,804*l.* On the 31st March, 1859, there was also a floating debt in Exchequer bills and Exchequer bonds to the extent of 18,277,400*l.*: making a grand total of funded and unfunded debt of 805,078,534*l.*, with an annual interest of 27,928,035*l.*

CHAPTER III.

PAYMENT OF THE NATIONAL DEBT.

WERE the proposal seriously made to pay off the whole or any portion of the national debt, the greatest want of unanimity would be found to exist as to the expediency of such a measure. It is asserted by not a few, that the national debt is the centre where all the surplus capital of the nation takes refuge, that it furnishes a most convenient, if not an indispensable, fund for investments and for securities, that it forms a bond of union among all classes of the community, that it affords stability to political institutions, that it is a stimulus to individual exertions, and, above all, that the paying off of such a debt would produce no good result, the fundholders being mostly in this country, and it would in most cases be but a transfer from hand to hand of public securities. On the other hand, it is adduced that the national debt has all along proved an incubus to national industry, that it has for centuries caused an immense and a needless addition to the taxation of the country, that it has counteracted any good accomplished by useful reforms, and that it has given much encouragement to a reckless expenditure. And it would not only be extremely difficult to obtain an agreement upon so great a national question,

but, once agreed on, it would be uncertain as to the practical carrying out of any specific plan. To pay off a debt of 800,000,000*l.* numerous years would be required, the nation must be prepared year after year to make heavy sacrifices, and we should need for that purpose a long period of peace, of good harvests, and of national prosperity.

Various proposals have been made at different times for the payment of the national debt. The enormous increase of the debt has ever since its commencement created alarm: not a few prognosticated a national bankruptcy; all dreaded the consequences of such a grievous burden on the industries of the nation; the House of Commons protested repeatedly against further additions to the public debt, and saw the necessity of doing something to check and to diminish the growing cancer which ulcerated the very sinews of the country. Any expedient, therefore, which would tend to diminish the amount of the debt, was received with marked favour. Prominent among these expedients was the creation of sinking funds. The first of these was suggested by the Earl of Stanhope in 1716, under the administration of Walpole, when the sum of 32,000*l.*, saved in the interest on the capital due to the Bank of England and the South-sea Company, was left to increase at compound interest. The scheme succeeded wonderfully, and by 1727 it paid off all the redeemable debt not subscribed into the South-sea stock. In that year a reduction was effected in the interest of the debt from 5 to 4 per cent., and the saving was also allowed to swell the sinking fund, which by that time had in-

creased to above 1,000,000*l.* per annum. The operation of the sinking fund was thus far satisfactory, and an address of congratulation, full of the brightest anticipations, was presented to the King.

For a time, notwithstanding the crippled state of British finances, the sinking fund was left undisturbed ; and, rather than interfere with its wonderful working, sacrifices were readily made by the nation to meet the excess of national expenditure by increased taxes. At last, however, the sacredness of the trust was infringed upon, and in an evil hour 2,000,000*l.* were drawn out of the fund for the service of the year ; a precedent which was soon afterwards followed in all emergencies. The spell of the wonder-making sinking fund was thus fast disappearing, and its funeral obsequies were sung by Dr. Price. ‘Thus expired,’ said he, ‘the sinking fund, that sacred blessing, once the nation’s only hope, prematurely and cruelly destroyed by its own parent. Could it have escaped the hands of violence, it would have made us the envy and terror of the world, by leaving us at this time tax free and in possession of a treasure greater perhaps than ever was enjoyed by any kingdom.’

Another sinking fund was, however, projected in 1786. A committee of the House of Commons having inquired into the ordinary income and expenditure of the country, it was found that, so long as the country continued in peace, a surplus of about 1,000,000*l.* a year might be realized. This sum Mr. Pitt proposed to vest in certain commissioners, to accumulate at compound interest, by adding the dividends on the stock which it

purchased, and the life annuities which might fall in, until it should amount to the sum of 4,000,000*l.* per annum.

Mr. Pitt became enamoured with the idea, and seized it with the conviction that it would provide a remedy to the great evil of an exorbitant debt. The speech with which he introduced his scheme to the House of Commons glowed with enthusiasm. ‘To behold this country,’ he said, ‘emerging from a most unfortunate war, which added such an accumulation to sums before immense, that it was the belief of surrounding nations and of many among ourselves that our power must fail us, and we should not be able to bear up under it, to behold this nation, instead of despairing at its alarming condition, looking its situation boldly in the face and establishing upon a spirited and a permanent plan the means of relieving itself from all incumbrances, must give such an idea of our resources and of our spirit of exertion, as will astonish the nations around us and enable us to regain that pre-eminence to which we are on many accounts so justly entitled.’ The bill was well received in the House of Commons. Mr. Fox agreed on the necessity of establishing a good sinking fund, with the proviso that such a fund shall not be unalienable in time of war. After a lengthened discussion, the measure was carried. The scheme appeared to be successful beyond measure, and in six years the commissioners bought in not less than 10,000,000*l.* of the capital of the national debt. In these years, however, there was an actual surplus in the revenue, and it is the surplus that was applied to the purchase of stock. In

1792 a grant of 400,000*l.* was made in aid of the sinking fund, and 200,000*l.* more per annum was granted from the revenue. But now a new feature was introduced into the sinking fund. The finances of the country were no longer flourishing, year after year the expenditure exceeded the income by a large sum, and Mr. Pitt saw the evident anomaly, that side by side with the apparent diminution of the public debt by the purchases of the sinking funds new debts were annually created. Instead, however, of finding in this the clearest evidence of the absurdity of the entire plan of the sinking fund, he made provision for the gradual extinction of such future debt by laying aside the hundredth part of the capital of the debt so created. In other words, one per cent. of the money borrowed was made to swell at a compound interest, together with other sums, for the payment of the whole. Thenceforth, not only the savings of the country, assisted by the operation of compound interest, were to be set aside for the redemption of the debt, but sums actually borrowed for the purpose. A larger amount was practically borrowed than was required for the war, to be transferred to the commissioners of the sinking fund, in order to get the benefit of the compound interest. It was no longer a question of making the best use of the savings of the nation, because the nation was far from saving, and immense sums were every year required to meet an extraordinary deficiency. A strange financial process it was. It produced, first, a greater demand than was needed for State purposes, and so far added unnecessarily to the amount of public pressure; and, secondly, the amount of

interest to be paid on these additional sums was actually greater than the amount of interest saved by the purchase of stock, besides the expense of maintaining the office of the commissioners.

A return was published in 1822, showing the amount of loans contracted in each year from 1793 to 1816, and the sum paid during that period to the commissioners of the sinking fund. It appears from that return, that within that period the amount of loans contracted was 584,874,586,171*l.*, upon which there became due in dividends and annuities 30,174,364*l.* But of this sum only 396,352,206*l.*, bearing 21,006,131*l.* interest, was required to defray the war expenditure, and 188,522,349*l.*, yielding the sum of 9,168,232*l.* a year, was transferred to the Commissioners of the Sinking Fund. After a lengthened period of illusion and extravagance, the folly of such financial measures was clearly exposed. In 1819 it was attempted to maintain a sinking fund out of a fixed surplus of 5,000,000*l.* a year. But in 1829 the principle was definitively adopted to devote to the reduction of the national debt such an annual sum as should appear to be the actual surplus revenue of the United Kingdom beyond the actual annual expenditure; and under that system a sum of about 50,000,000*l.* has been cancelled of the public stock during the forty years of peace.

Some well-digested suggestions for the payment of the national debt have been made in the Twelfth Annual Report of the Registrar-general for Births, Deaths, and Marriages for the year 1849, by the learned Dr. Farr. The method there suggested is as follows:—For a num-

ber of years the annual charge on the public debt of the United Kingdom has been about 28,000,000*l.* By the expiration of annuities, the annual charge will in a few years be reduced to about 24,000,000*l.*, leaving a surplus of 4,000,000*l.* a year. Supposing the annuity of 28,000,000*l.* a year to be kept up and devoted to pay the interest and to cancel stock, it is calculated that both the debt and the annual charge would disappear at the end of sixty-six years from the time the interest falls to 24,000,000*l.*

Of course any such plan presupposes, first, that the mind of the nation continues for so long a time bent upon redeeming its national obligations, and, secondly, that the circumstances of the nation will permit the laying aside of 28,000,000*l.* for the interest of the national debt, whether the whole sum be wanted for that purpose or not. The only method available for the reduction of the national debt is doubtless the devotion to such a purpose of any surplus from the revenues of the United Kingdom. It is true the experience of late years does not encourage the expectation of realizing any large surplus. Whilst, on the one hand, the critical state of politics in Europe and Asia renders any material diminution of our military and naval expenditure highly improbable, and, on the other, all other sources of expenditure are also on the increase, we have seen that, although the burden of taxation falls lightly upon the people, there is no possibility whatever of maintaining any tax except under the pressure of absolute necessity. Yet there is no royal road to the payment of so large a debt. The effects of waste, extravagance, and unavoid-

able emergencies must be met by corresponding savings and sacrifices. The duty of the nation, meanwhile, is to have a fixed determination to make such sacrifices for that purpose as are compatible with public prosperity ; to maintain our national finances in a state of perfect stability ; to endeavour as much as possible to realize some annual surplus ; and, above all, to avert as far as practicable the necessities for new loans. With the continuous progress of wealth, and with further improvements in the methods of taxation, the burdens of the national debt will be less and less felt ; and it may be that, in process of time, we shall be able to undertake financial operations in relation to the national debt which it would be chimerical at present to prognosticate.

BOOK IV.

CONTROL OF PUBLIC MONEY.

CHAPTER I.

RIGHT OF TAXATION.

THE right of taxation vests in the legislative power ; and as such legislative power in the United Kingdom vests in Parliament, which is composed of the Queen, the House of Lords, and the House of Commons, neither of these has an exclusive right of taxation. We have already seen that by Magna Charta, or the Great Charter of liberties, the sovereign right of levying taxes was expressly limited. That remarkable document says, ‘No scutage or aid shall be imposed in our kingdom unless by the general council of our kingdom, except for ransoming our person, making our eldest son a knight, and once for marrying our eldest daughter ; and for these there shall be paid a reasonable aid.’

The same charter was afterwards confirmed by Edward I., who again declared as follows :—‘ Moreover, we have granted for us and our heirs, as well to archbishops, bishops, abbots, priors, and other folk of Holy Church, as also to earls, barons, and to all the commonalty of the land, that for no business from thence-

forth we shall take such manner of aids, tasks, nor prises, but by the common consent of all the realm and for the common profit thereof, saving the ancient aids and prises due and accustomed.' Later still, the Bill of Rights declared 'That no man be compelled to make any gift, loan, or benevolence, or tax without common consent by act of Parliament.' And, finally, it was established, in the Act of Settlement of 1688, under William and Mary, 'That levying money for or to the use of the Crown by pretence and prerogative, without grant of Parliament, for longer time or in other manner than the same is or shall be granted, is illegal.'

These are the means whereby a complete parliamentary control was put on the levying of taxes in the United Kingdom.

Very early, however, in our constitutional history, a conflict was manifested between the Lords and Commons as to the right of originating bills for taxation. It was long before the constitutional rights of the three estates of the realm, and the mode and exact province of their respective actions were properly defined. Henry IV. proposed to consult the Lords first as to the amount of aid they conceived necessary for the public service, and then ask the consent of the Commons. The Commons, however, protested against such a procedure; and they claimed, as the representatives of the people, that all grants of aids should proceed first from them, and could not originate with the Lords. The King then suggested that the Lords and Commons should each commune among themselves, and should make

him acquainted with the result of their deliberations and agreement.

In 1593 the Commons again sustained their privilege of originating money bills. The Lords having reminded them of the Queen's wants, requested a conference. This was granted; but on the report of Sir Robert Cecil, that the Lords would consent to nothing less than a grant of three subsidies, Mr. Francis Bacon said, 'He yielded to the subsidy, but disliked that this House should join with the Upper House in granting it. For the custom and privilege of this House has always been, first, to make an offer of the subsidies from hence to the Upper House, except it were that they present a bill unto this House with desire of our assent thereto, and then to send it up again.' And the proposition for another conference was lost by 217 to 228.

In 1671, in the case of a bill for reducing the duty on sugar from 1*d.* per lb. to $\frac{3}{4}$ *d.*, the Commons objected to money bills being even amended by the Lords. A conference took place on the subject, and all precedents were carefully ransacked on both sides. The Lords urged several reasons for their interference in money bills, as well as in all matters of legislation. They argued, 1st, That, for the happiness of the Government, nothing should be done but what is well considered by both Houses. They are thus checks to each other. 2nd, All writs of summons to Parliament are to Lords and Commons. The Lords are not excluded from any of the great and arduous affairs of the kingdom. 3rd, There was no record, no charter, by which the Lords divested themselves of the right of altering and amending

money bills. 4th, If the Lords cannot amend such bills, what right have they to reject them? Then they appealed to generosity and reciprocity. 5th, In cases of judicature and privileges, the Lords send down bills to the Commons, and they allow the Commons to amend and alter them. Why should it not be the same for bills which originate in the Commons? and, 6th, If the Lords cannot amend or alter a bill, they are driven to the ignoble choice, either to refuse the supplies, or to consent to them against their own judgment. They referred also to some old statutes, as in *Magna Charta*, where it is said, ‘The Lords and Commons grant;’ and in 14 Ed. III., where it is said, ‘Après grand tret et parleance entre les grants et Chevaliers et Communes suit assentus;’ and, lastly, the Lords said that, if they were to concede this much in money bills, what security was there that the Commons will not claim exclusive rights in other matters also? &c. &c. The Commons, on the other hand, took their ground on their rights as representatives of the people; and referred to expressions in the money bills which commence with ‘The Commons grant;’ ‘We, your poor Commons,’ &c. The result, however, of this long discussion was a resolution, ‘That in all aids given to the King by the Commons, the rate or tax ought not to be altered by the Lords.’

A few years after, in 1678, the right of the Commons to originate money bills was again formally asserted in a resolution to the following effect:—‘That all aids, grants, and supplies to his Majesty in Parliament are the sole gift of the Commons, and all bills for granting

any such aids and supplies ought to begin with the Commons; and that it is the undoubted and sole right of the Commons to direct the aims, purposes, conditions, and qualifications of such grants, which ought not to be changed or altered by the House of Lords.' These, and other precedents in Parliamentary practice of a like character, establish the following facts:—

First, That all bills for purposes of taxation, or containing clauses imposing a tax, must originate in the House of Commons, and not in the House of Lords.

Second, That bills so originated in the Commons, cannot be altered and amended by the Lords; and,

Third, That, although bills for imposing or repealing taxes must not originate or be amended by the Lords, they have the power to reject the measure altogether, though this power has seldom, if ever, been fully exercised.

For the further distinction that the Lords have the power to reject a bill imposing a tax, but not a bill for repealing a tax, there is no sufficient authority. Precedents are not wanting of the rejection by the Lords of bills repealing taxes, though other questions besides taxation were connected with the measures. The only ground for such a difference is the fact that taxes being levied on behalf of the Sovereign, when she, by her responsible financial adviser, renounces any specific tax, and the Commons assent to the repeal of the same, it becomes unconstitutional in the Lords to oppose the wish of the Sovereign acting with the consent of the Commons. The control of public money by the House of Commons is a constitu-

tional right, which the nation has jealously maintained. And though, on any critical emergency, the veto of the House of Lords may prove most useful, and the exercise of their right to reject or to accept any measure affecting the finances of the nation may be beneficial, should any grave exigency occur after the passing of such measures through the House of Commons, it must be remembered that the Commons practically take all the necessary measures to ascertain the state and prospects of the finances of the Empire; that all financial returns and accounts are by law presented to them; and that, in consequence of the constitution of that House, they are best able to provide for the financial wants of the State.

Nothing could better show the distinction made by the Legislature between the two Houses of Parliament, in matters of taxation, than the fact that, whilst acts of Parliament generally commence with the preamble somewhat in the following terms:—

‘ Wheras industrial schools for the better training of vagrant children have been and may be established in various parts of England,’ &c. &c., ‘ Be it enacted, by the Queen’s Most Excellent Majesty, by and with the advice and consent of the Lords Spiritual and Temporal, and Commons in this present Parliament assembled, and by the authority of the same as follows;’ the Appropriation Act commences in the following manner:—

‘ Most Gracious Sovereign,—We, your Majesty’s most dutiful and loyal subjects, the Commons of the United Kingdom of Great Britain and Ireland in Par-

liament assembled, towards making good the supply which we have cheerfully granted to your Majesty in this session of Parliament, have resolved to grant unto your Majesty the sum hereinafter mentioned; and do therefore most humbly beseech your Majesty that it may be enacted, and be it enacted by the Queen's Most Excellent Majesty, by and with the advice and consent of the Lords Spiritual and Temporal and Commons in this present Parliament assembled, and by the authority of the same, as follows.'

CHAPTER II.

APPROPRIATION OF TAXES.

THE administration of public money is a great and responsible trust. Taxes are imposed and paid. Are there sufficient guarantees that the money collected is duly appropriated to the objects they are destined for by the House of Commons? The first step in the control of public money is the annual statement submitted to the House of Commons by the Chancellor of the Exchequer of the results of the financial measures of the preceding session, with a general view of the expected income and expenditure of the ensuing year.* This exposition of the state of the finances for the past and for the ensuing year gives the House of Commons all the necessary information to enable them to exercise an important check upon the minister by limiting his means of receiving money to the sums actually required for the public expenditure. If his statement show a larger surplus revenue than the House of Commons considers it prudent to leave as a margin to the Government, pressure is immediately brought to bear upon

* See the Memorandum on Financial Control presented by the Chancellor of the Exchequer to the Committee of the House of Commons on Public Money.

it to procure a reduction of taxation ; if, on the other hand, the minister shows that the revenue will be insufficient to meet the expenditure, it rests exclusively with the House of Commons to grant or to refuse the demands which may be submitted to them for meeting that deficiency. The intention of this budget statement is not only to lay before the House of Commons the scheme of taxation for the ensuing year, but to satisfy them that the public income to be raised in the year will be sufficient, and no more than sufficient, to meet the expenditure which the Government proposes to incur during the year. This is the first important step in our system of financial control.

That we may form a correct view of the mode in which public money is administered, we shall see the different stages by which money is first granted and appropriated. Till very recently the greater part of the public revenue and other receipts was made directly applicable to the payment of grants in supply, and was not consequently paid into the Consolidated Fund. Now, however, all the public revenue and moneys borrowed are placed to one account called the Consolidated Fund, and all public payments are made out of that fund, either by permanent grants under acts of Parliament, or by annual votes payable by limited grants.

The services provided for by permanent grants are, the funded debt, including life and other annuities ; the civil list ; annuities to the Royal Family and pensions for distinguished naval, military, and civil services, salaries and allowances of certain independent officers,

courts of justice, and certain miscellaneous services, comprising interest and sinking fund of the Russian-Dutch and Greek loans, compensations, &c.

These charges are made payable out of the Consolidated Fund by permanent statutes, and continue payable out of the income of the Consolidated Fund from year to year, without any renewal of parliamentary authority. The principle of not subjecting to the uncertainty of an annual vote the provision for the security of the public creditor, the dignity of the Crown, the annuities to the Royal Family, and those granted for distinguished public services, the salaries of judges and other officers in whose official character independence is an essential element, compensations for rights surrendered, and like charges, although it may have been carried too far, is one the soundness of which is generally admitted. Out of an ordinary peace expenditure, amounting to 56,000,000*l.* gross, these permanent charges, not voted, amount to about 28,000,000*l.* The remaining public expenditure consists of the interest of the unfunded debt, the charges for the maintenance of the naval and military forces, the collection of the revenue, and the various civil services comprised in the miscellaneous estimates.

The annual charges for the naval and military forces, for the collection of the revenue, and for the various civil services, after revision and approval by the Treasury, are submitted to the House of Commons in very detailed estimates. These are examined and discussed in Committee of Supply, and the sanction of the House of Commons is embodied in resolutions which appro-

priate limited sums for services separately defined, and for the limited period of one year. These appropriations extend to about 230 separate services, for each of which a distinct provision is made.

But these resolutions, although they record the sanction of the House of Commons to the expenditure submitted to them, and authorize a grant to the Crown for the objects specified in such resolutions, do not enable the Government to draw from the Consolidated Fund, to which the whole of the accruing income is placed, the money requisite for that purpose. A further authority is required in the shape of a resolution in Committee of Ways and Means, which must be embodied in a bill, and be passed through both Houses of Parliament, before practical effect can be given to the votes in supply, by authorizing the Treasury to take out of the Consolidated Fund, or, if that fund be insufficient, to raise by Exchequer bills on the security of the fund, the money required to defray the expenditure sanctioned by such votes. The votes in Committee of Supply authorize the expenditure; the votes in Committee of Ways and Means provide the funds to meet that expenditure.

The Appropriation Act at the end of the session gathers together the whole of the votes in supply, and the grants already authorized out of the Consolidated Fund to meet in part the supplies voted; the balance of ways and means required to cover all the sums charged on the supplies of the year is set forth in this act, which thus completes the financial proceedings of the session. By this act, therefore, the votes in supply

originally passed by the House of Commons only receive full legislative sanction.

The Appropriation Act limits the appropriation of the votes in supply to the specific services described in the votes; and, in regard to the naval and military services, the act enjoins that the respective departments charged with the detailed application of the sums granted for those services shall confine the expenditure of their respective departments within the particular amounts appropriated to each of the separate services comprised in the aggregate amount appropriated to the service of each department. But Parliament, recognising the impossibility of providing specially in the estimates for every exigency which may arise in carrying on those great services in all parts of the world, has granted to the Crown authority to provide, in cases of indispensable necessity, for payments in excess of particular grants out of surpluses on other grants in the same department, provided the aggregate sum voted for each department be not exceeded. This provision was first introduced into the Appropriation Act for the year 1846; but, although the legal sanction for such appropriation commenced in that year, the practice had always existed, and the naval and military departments necessarily provided for unforeseen exigencies out of their general balance.

CHAPTER III.

CONTROL OF THE ISSUES.

HITHERTO we have described the steps taken to provide for a sufficient control over the grant of money for the public expenditure. We shall now see the measures taken with respect to the issue of the money authorized to be expended. The power of issue is vested in an independent office—the Exchequer. The Exchequer is the great conservator of the revenues of the nation ; it does not exercise any authority over the administrative departments of receipt, nor over the departments of payment, any further than to guard against the illegal appropriation of any portion of the public income. The constitutional functions of its officers, who hold their situations for life, are to provide for the safe keeping and proper appropriation of the public monies, which are vested in its name, and deposited in its care, until issued under the authority of Parliament for the services of the State ; and it is armed with a power of denying its sanction to any demands upon it for the issue of public money, from whatever minister or department they may be made, unless those demands are found in accordance with the determination of the Legislature. These are the powers of

the Exchequer as described by the Royal Commissioners of 1831.

All the revenue received by the several collectors acting under the revenue departments is paid, in the first instance, to the account of the receivers-general of these departments: a transfer from those accounts to the general account of the Exchequer takes place daily at the Bank of England and Bank of Ireland, and advice of such transfers is sent to the Exchequer both by the revenue departments and by the banks. As soon as money is thus placed to the account of the Exchequer, the Comptroller assumes a complete command over the issue, and no payment is made except upon the authority of a Treasury or Royal warrant. In cases of grant by Parliament charged on the Consolidated Fund the Comptroller requires the authority of a Treasury warrant; and in cases of supply services he requires the authority of a Royal order under the Royal sign-manual, countersigned by the Commissioners of the Treasury.

With the issue of such warrants, the Commissioners of the Treasury send a letter to the Comptroller of the Exchequer, requesting him to authorize the Bank to give a credit to the paying officer for the sum required, and upon the authority of such warrants the Comptroller of the Exchequer issues his warrant to the Bank to give credit to the person therein named. But there is another personage through whom all payments are made, and that is the Paymaster-General. All warrants are in duplicate—one goes to the Exchequer and the other to the Paymaster-General; and when the

Treasury sends a warrant to the Exchequer, the Exchequer issues the amount of that warrant to the Paymaster-General. But the Paymaster-General has no active duties. As soon as he comes into office he grants power of attorney to certain officers to act for him in supplying the accounts opened at the Bank of England in his name with funds, and in drawing upon those accounts for the payment of public services. He never interferes in the details of the business, and there is not any salary attached to the office, which is now held by one of the Vice-Presidents of the Board of Trade; though it is with the Paymaster-General that the great responsibility rests.

It will be seen, however, that, though the Exchequer issues the money for the purposes designed by the Appropriation Act, and upon the authority of the Treasury, it cannot control the actual payment of it for the purposes specified by the Paymaster-General. The issues from the Exchequer are transferred by the Paymaster to one common account, called the drawing account; but, when so transferred, the money is indiscriminately issued for any services required, whether with or without the authority of an Exchequer warrant. Nor is the Paymaster's drawing account supplied altogether from the Exchequer and with appropriated funds. The drawing account is supplied from the cash account, and this cash account consists of miscellaneous receipts, many of which are free from any appropriation to the public service, and of public and private deposits, legally applicable only to the special purposes for which they are lodged. The deposits are often illegally

applied, and advanced for public purposes, and, when wanted, an adjustment is made by misapplying the Exchequer issues. This mixture of accounts, this misappropriation of grants, are clearly objectionable, and defeat altogether the purposes of the Legislature. It has been proposed to abolish the political office of the Paymaster-General, and to place all its duties under the control of the Treasury. This measure might simplify the present round-about process, but where will then be the parliamentary control of the issue? Whatever may be the confidence we may place in the Government, it is desirable to preserve those constitutional safeguards which have often proved of extreme value against abuses and mismanagement. To abandon the principle of appropriation of public grants would be most injurious; to leave the appropriation uncontrolled in the hands of the Treasury is unconstitutional. What should be done? The Exchequer control should be preserved with increased powers; the office of Paymaster-General should be reconstructed, with a view to parliamentary responsibility; and a finance committee should be appointed, at the commencement of every session, to examine the accounts of the Exchequer, and to report any misappropriation of the grants made in the previous year. These are safe and constitutional measures, which are urgently required, in order to secure the proper appropriation of parliamentary grants.

CHAPTER IV.

FINANCIAL ACCOUNTS.

A PERFECT system of accounts and an independent audit are doubtless the best and the only guarantees for the faithful administration of public money. When we consider that all the financial measures of the session are founded on the calculations of the Chancellor of the Exchequer of the receipts of the past year, and the probable wants of the next, the sooner the financial accounts for the past year are presented, the more available they would become for the public service. But, in order to make these accounts agree with the financial year, and in order to prevent any expenditure of money without a previous vote of the House, the accounts are made up to the 31st of March, and are consequently presented late in the session. This produces a great inconvenience, as the information contained in them is withheld from Parliament and the public at the very time when it would be most useful. There is, moreover, much incongruity in the disagreement between the finance accounts and all commercial and navigation accounts, which are uniformly made up to the 31st December. If it be necessary that the financial year should continue from April to April, it is still better and more desirable that the accounts should

run from January to January. The finance accounts yearly presented to Parliament are, it must be confessed, not sufficiently complete and explicit, and even their correctness on many points has been questioned. The working of the audit, on the other hand, is capable of much improvement, but it is not our design to enter into the minutiae of these accounts. We will only add that, having regard to the immense amount, multiplicity, and complicated nature of the monetary transactions of the State, nothing could be more important than that the entire management of public finances should be placed upon a clear basis, and under an efficient control and audit.

NOTES.

A.—PRODUCE OF TAXES.

I HAVE been favoured with the substance of the Report of the Inland Revenue for the year ended the 31st March, 1860, the results of which are as follows:—The net produce of the Excise for the United Kingdom was 20,227,988*l.*: viz., England, 13,428,227*l.*; Scotland, 3,578,186*l.*; and Ireland, 3,221,575*l.* The net produce of stamps for the United Kingdom was 8,032,538*l.*: viz., England, 6,821,343*l.*; Scotland, 667,433*l.*; and Ireland, 543,762*l.* The net produce of Land and Assessed Taxes for Great Britain was 3,236,684*l.*: viz., England, 3,032,183*l.*; and Scotland, 204,501*l.*: and the net produce of the Property and Income Tax for the United Kingdom was 9,666,141*l.*: viz., England, 8,150,990*l.*; Scotland, 796,783*l.*; and Ireland, 718,368*l.*

B.—EXPENDITURE FOR NATIONAL DEFENCES.

SINCE writing the above, the Commissioners appointed to consider the present state, condition, and sufficiency of the fortifications existing for the defence of the United Kingdom have made their report, in which they recommend works at an estimated cost of 11,850,000*l.*, apportioned in the following manner:—First year, 3,675,000*l.*; second year, 4,381,000*l.*; third year, 2,686,000*l.*; and fourth year, 1,008,000*l.* At this advanced period of the Session it is not likely that the questions suggested by the Report will be brought before Parliament with a view to immediate action; but, in the present condition of the national finances, and with the unfavourable state of the weather and increased cost of provisions, the nation is scarcely prepared for so great an undertaking, and the question could only be considered if it be contemplated to raise a loan for the purpose on redeemable annuities.

THE END.

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